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BEFORE THE ARIZONA CORPORATION COMMISSION
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Arizona Corporation Commission

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AZ CORP COMMISSION
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[Signature]

In the matter of:

ARTHUR BRENT PAYNE and CAROLYN L.
PAYNE, husband and wife,

MICHAEL RICHARD OLSON, and JANE DOE
OLSON, husband and wife,

STEEPLE ROCK FUNDING, L.L.C., an Arizona
limited liability company,

GRANITE LOAN FUND, L.L.C., an Arizona
limited liability company,

Respondents.

DOCKET NO. S-20772A-10-0489

**SECURITIES DIVISION'S
RESPONSE TO RESPONDENTS'
MOTION FOR ORDER DIRECTING
THE EXECUTIVE SECRETARY TO
ISSUE A SUBPOENA FOR THE
DEPOSITION TESTIMONY OF
INVESTIGATOR CLYDE J.
HANSELMAN**

The Securities Division ("Division") of the Arizona Corporation Commission responds to Respondents' March 4, 2011, "Motion For Order Directing The Executive Secretary To Issue A Subpoena For The Deposition Testimony Of Investigator Clyde J. Hanselman ("Motion"), and requests that it be denied for the factual and legal reasons set forth below.

A. Introduction to Respondents' Extensive Securities Offering

This case arises from the fact that on December 10, 2010, Respondents Arthur Brent Payne ("Payne"), Michael Richard Olson, Steeple Rock Funding, L.L.C. ("SRF") and the Granite Loan Fund, L.L.C. ("GLF") were engaged in a wide ranging general solicitation and advertising campaign to persuade investors to purchase two types of unregistered, investment contracts securities in violation of the Arizona Securities Act ("Act") including: (a) limited liability company membership interests in GLF (the "GLF Investment(s)"); and (b) investments in similar

1 “Customized” limited liability companies formed and managed by Payne and Olson on behalf of
2 investors (the “Customized Investment(s)”). (*See, e.g., December 10, 2010, “Temporary Order*
3 *To Cease And Desist And Notice for Opportunity For Hearing, at ¶¶16-25, 30-32 (the*
4 *“TC&D”*)).¹

5 Prior to the filing of the TC&D on December 10, 2010, Respondents were offering: (a) 400
6 GLF Investments at a cost of \$25,000 each, for a total GLF Investment offering of \$10,000,000;
7 and, (b) an unlimited number of the Customized Investments at a cost of \$1,000,000 each.
8 Respondents offered both the GLF and Customized Investments to offerees at the same time.
9 (TC&D, at ¶¶34-35).

10 Respondents promised offerees that they would use investment funds to make real estate
11 loans to borrowers so that they could purchase foreclosed or distressed real estate (the “Loans”).
12 (TC&D, at ¶¶9-11, 16-17). The Loans would have charged borrowers, who apparently could not
13 qualify for traditional bank financing, interest at the rate of up to eighteen percent per annum.
14 (TC&D, at ¶14). As noted on Respondents’ website at www.steeplerockfunding.com (the
15 “Website”), Respondents represent to offerees that, “[t]he successful operation of our business is
16 dependent upon funding provided by investors whose funds support the loans we make.”
17 (emphasis added).

18 Respondents publically advertised the investments, in part, via the “Granite Loan Fund”
19 page on their Website (the “GLF Page”). (*See, Copy of the GLF Page provided to the Division*
20 *by Respondents attached to this Response as Exhibit “A,” at ACC000302*). Respondents
21 apparently de-published the GLF Page after receipt of the TC&D.

22 As noted on Respondents’ GLF Page, Respondents represented to the general public that the
23 Investments were safe, secure and would provide investors with “exceptional,” annual returns of
24 approximately eight to eleven percent. (*See, TC&D, at ¶19-20*). As also noted on Respondents’

25
26 ¹ To date, Respondents have not filed an answer to the TC&D. An evidentiary hearing date has not yet
been set. Once discovery is complete, the Division will evaluate whether the filing of an amended TC&D to
conform to the facts is warranted.

1 GLF Page, Respondents further represented to potential investors that Respondents' loan borrowers
2 had "[l]ow historic default rates," despite the fact that Respondents have apparently not issued any
3 loans funded in whole, or in part, with Investment investor money.²

4 Respondents also engaged in the mass mailing and/or delivery of well over a hundred
5 Investment solicitation letters and emails to a large number of: (a) persons and entities that were
6 determined by Respondents to be licensed investment advisers, for instance, after conducting
7 Internet web searches;³ (b) lawyers and certified public accountants; and (c) previous
8 acquaintances, friends and/or family. Respondents also provided face-to-face sales presentations to
9 promote the Investments on at least three occasions that were attended by some persons with whom
10 Payne and Olson had no pre-existing relationship. (*See, e.g., February 11, 2011, letter from Paul*
11 *Roshka to Mike Dailey generically identifying many investment offers, seminars, etc.,*
12 *attached as Exhibit "B;" also, Copy of detailed form letter provided to the Division by*
13 *Respondents' former counsel with which they also provided offerees with their investment*
14 *executive summary, and six sided brochure is attached as Exhibit "C;" Copy of letter*
15 *provided to the Division by Respondents' former counsel, that was mailed by respondents to*
16 *offerees with which they also forwarded their Private Offering Summary and related*
17 *documents is attached as Exhibit "D").*⁴

18
19 ² Respondents apparently did not sell any Investments. (*Motion, p.4:12-13*). Also, a search of the
20 Maricopa County Recorder's Website fails to reveal any deeds of trust relating to any loans underwritten,
21 originated or issued by either the SRF or GLF.

22 ³ In this case, Respondents' improperly engaged in a general solicitation to find investor "finders" to assist
23 Respondents in effecting transactions in securities. *See e.g., Pennsylvania Securities Commission, SEC No-*
24 *Action Letter (Jan. 16, 1990).* For instance, a cold mass mailing of a brochure summarizing a private
25 placement memorandum for a Rule 505/506 offering which was made to broker-dealers, investment
26 advisers, accountants and attorneys (addresses obtained from mailing lists) would be a general solicitation,
regardless of whether the recipients were viewed as investors or merely conduits to investors, and despite
the fact that the brochure: (a) was purportedly limited to "background information and reference purposes,"
and (b) claimed to not be a solicitation of an offer to buy any security. *Id.* Although Respondents were
apparently relying on such finders to tell Respondents whether their clients were suitable, Respondents were
obligated to have some independent basis for making such a determination on their own, beyond the finders'
own certifications regarding the same.

⁴ In compliance with A.R.S. § 44-2042, all exhibits attached to this Response were either previously
provided to Respondents' counsel by the Division, provided by Respondents to many investment offerees in

1 Respondents often mailed the Investment solicitation letters, including the attached sales
2 documentation to persons: (a) that Mr. Payne or Mr. Olson had no pre-existing relationship with;
3 and/or (b) to persons whom neither Mr. Payne nor Mr. Olson had previously spoken. (*See, e.g.,*
4 **TC&D, at ¶¶21-32**).⁵

5 **B. Involvement Of Division Investigator Clyde J. Hanselman**

6 As noted in the pending TC&D, an Arizona resident viewed Respondents' GLF Page and
7 requested information from Respondents regarding the GLF Investments by completing a form on
8 the "Contact Us" page of Respondents' Website. (**TC&D, at ¶21**).

9 This potential Arizona investor is Division Special Investigator Clyde J. Hanselman.

10 When Mr. Hanselman completed the "Contact Us" page on Respondents' Website to
11 request information regarding the GLF Investments, he used the undercover name "CJ Hansel."
12 (**See, February 25, 2011, letter from Mike Dailey to Paul Roshka, and attachments, at**
13 **ACC000001, attached to this Response as Exhibit "E"**).⁶

14 part via their Website, and/or were provided to the Division by Respondents' counsel such that they already
15 had possession of the same.

16 ⁵ To date, Respondents have not claimed that the GLF and Customized Investments are not securities.
17 Rather, they claim that their securities offering was exempt from the registration requirements of the Act
18 under A.R.S. § 1844(A)(1) relating to securities "Transactions by an issuer not involving any public
19 offering" and/or R14-4-139, R14-4-140 and Rule 126(E) and (F). (*See, e.g.,* December 17, 2010, letter from
20 Respondents' previous attorney Jerry L. Cochran to Julie Coleman, attached hereto as **Exhibit "G"**).
21 Respondents cannot meet their burden of proving strict compliance with these exemptions from registration,
22 in part, as follows: (1) A.R.S. § 1844(A)(1), and Rules 506 and 505 of Regulation D, and Rules 14-4-
23 126(E),(F), do not apply given Respondents' wide ranging public advertising regarding the investments, and
24 general solicitation for investors as set forth, in part, herein; (2) R14-4-139 is inapplicable pursuant to R14-
25 4-139(C), and because Respondents' "General Announcement" or the GLF Page does not include the
26 required language contained in R14-4-139(H)(6)(b),(c) & (d), Respondents distributed sales documents to
persons they could not have "reasonably" believed to have been qualified purchasers contrary to R-14-4-
139(D), and (J)(1),(2) and Respondents did not provide the required fee, the GLF Page or any other
document to the Division as required by R4-14-4-139(N); and (3) R14-4-140 is inapplicable because,
without limitation, Respondents GLF Page, Website and solicitation letters and attachments include
information well beyond that allowed under R-4-14-140(F), because the GLF Page does not include the
information required by R14-4-140(F)(6)(b),(c), Respondents provided Investment sales documents to
persons they could not have "reasonably" believed to have been accredited investors in violation of R14-4-
140(H), and because for instance, Respondents clearly offered at least \$10,000,000 worth of the GLF
Securities, or well over the \$1M limit imposed by Rule 504 and/or R14-4-140(A)(3) and (B). *See e.g.,* 17
C.F.R. § 230.504(b)(2).

⁶ The form on the Contact Us page of Respondents' Website used by Mr. Hanselman did not state that
Investment inquiries could only be made by accredited, sophisticated and/or qualified investors.

1 In response, Mr. Olson sent to Mr. Hanselman, a total stranger whether named Mr.
2 Hanselman or Mr. Hansel, an email offering to sell Mr. Hanselman the investments that stated:

3 CJ,

4 Thanks for your interest in the Granite Loan Fund sponsored by Steeple
5 Rock Funding, L.L.C. Enclosed is a brief summary outlining our business model
6 and investment rationale. **Please provide your mailing address and I will mail to
7 you our complete private placement documents for review.**

8 (the "First Solicitation").⁷ (*See, TC&D, ¶22; also, Exhibit E, at ACC000001*)(emphasis added).

9 Attached to the First Solicitation was a detailed, three-page document titled "Executive
10 Summary [of Respondents'] Secured Short-Term Residential Trust Deed Investments" (the
11 "Executive Summary"). (*See, TC&D, at ¶22-23; also, Exhibit E, at ACC000002-4*).

12 Like the GLF Page, the Executive Summary: (a) was intended by Respondents to generate
13 interest on the part of Mr. Hanselman in purchasing the investments; (b) provided a summary of
14 Respondents' Loan and related investment strategies; and (c), included:

15 ⁷ The phrases "Offer to sell" securities, and "offer for sale" are broadly defined in the Act as, "an attempt or
16 offer to dispose of, or solicitation of an order or offer to buy, a security..." *See, A.R.S. § 44-1801(15)*.
Also, the Preamble to the Act states that:

17 The intent and purpose of this Act is for the protection of the public, the preservation of fair and
18 equitable business practices, the suppression of fraudulent or deceptive practices in the sale or
19 purchase of securities, and the prosecution of persons engaged in fraudulent or deceptive
20 practices in the sale or purchase of securities. This Act shall not be given a narrow or restricted
21 interpretation or construction, but shall be liberally construed as a remedial measure in order not
22 to defeat the purpose thereof.

23 Courts uniformly construe the term "offer" within securities cases broadly. *See, e.g., Hocking v. Dubois*,
24 885 F.2d 1449, 1457-1458 (9th Cir. 1989)(citing with approval a U.S. District trial court decision finding
25 that a newsletter stressing the importance of shareholders' soliciting others was an "offer to sell" securities,
26 the Ninth Circuit Court of Appeals noted that, "the term 'offer' has a different and far broader meaning in
securities law than in contract law."); *Moses v. Carnahan*, 186 S.W.3d 889, 900-904(Mo. App. 2006)(citing
cases and noting that the term "offer" has a different and far broader meaning in securities law than in
contract law, appellate court agreed with the Missouri Commissioner of Securities who found that president
of corporation "offered" securities of corporation to attendees at meeting at car dealership; though president
did not make a valid binding contractual offer and no actual sales resulted, attendees at meeting believed
that the purpose of the meeting was to invest money in corporation, employee described corporation's
product, president made a presentation designed to generate investment interest, and the price and value of
corporation's convertible notes were discussed).

1 A. A one page document titled "Investment Vehicles" describing the benefits of
2 purchasing both the GLF and \$1,000,000 Customized Investments (the
3 "Prospectus"); and

4 B. A one page spreadsheet titled SRF "Schedule of Projected Investor Returns"
5 detailing possible annual investment returns and/or investor profit distributions
6 ranging from \$8,000 to \$11,040 per \$100,000 of purchased GLF and/or Customized
7 Investments depending on a variety of Loan factors and investor capital utilizations
8 (the "Schedule"). (TC&D, at ¶¶22-23; *see also*, Exhibit E, at ACC000001-4).

9 Prior to providing Mr. Hanselman with the First Solicitation, Mr. Olson did *not conduct any*
10 *inquiry*, or ask Mr. Hanselman (*i.e.*, total stranger), for example: (a) how Mr. Hanselman had heard
11 about Respondents or their investments; or (b) whether Mr. Hanselman was an "accredited"
12 investor. At no time did Mr. Hanselman speak to Respondents. Mr. Hanselman clearly had no
13 substantial, pre-existing relationship with Respondents. At no time did either Mr. Payne or Mr.
14 Olson request to meet Mr. Hanselman. Respondents' did not obtain Mr. Hanselman's contact
15 information from a database of pre-screened, accredited investors.

16 Further, the First Solicitation and the attached Executive Summary, Prospectus and
17 Schedule did not include any restrictions on the ultimate dissemination on the part of Mr.
18 Hanselman of said offering materials. (*See*, Exhibit E, at ACC000001-4).⁸

19 As noted in the TC&D, Mr. Hanselman next provided Mr. Olson with a mailing address as
20 requested by Mr. Olson to which Mr. Olson could provide Respondents' "complete private
21 placement documents" for Mr. Hanselman's review. (*See*, TC&D, at ¶25; *also*, Exhibit E, at
22 ACC000005).

23
24 ⁸ The Website and GLF Page should not be viewed in isolation. Rather, the: (a) Website; (b) GLF Page; (c)
25 Mr. Olson's First Solicitation email asking for Mr. Hanselman's mailing address so that Mr. Olson could
26 mail Mr. Hanselman Respondents' "our complete private placement documents for review;" (d) the
attached, detailed "Executive Summary" regarding Respondents' "Secured Residential Trust Deed
Investment Program;" (e) Prospectus; and (f) and Schedule of projected Investment profits, etc., when
viewed together, clearly constitute an offer of securities, and public advertising and/or a general solicitation
for investors.

1 In response, Mr. Olson sent Mr. Hanselman an email after the fact requesting Mr.
2 Hanselman to confirm that he was an accredited investor, "generally defined as having a net worth
3 that exceeds \$1 MM, exclusive of home, home furnishings and automobiles, **or** individual income
4 from all sources in excess of \$200,000 in each of the two most recent years." (emphasis in
5 original). (*See, Exhibit E, at ACC000012*)

6 In response, Mr. Hanselman sent Mr. Olson an email stating that Mr. Hanselman met the
7 requirements for being an accredited investor. (*TC&D, at ¶26; also, Exhibit E, at ACC000012*).

8 Mr. Olson then immediately mailed a letter signed by Mr. Olson to Mr. Hanselman written
9 on SRF letterhead that urged Mr. Hanselman to complete the enclosed GLF Investment
10 "Subscription Agreement" and GLF "Capital Member Signature Page," and to return said
11 documents to Respondents for processing (the "Second Solicitation"). (*TC&D, at ¶27; also,*
12 *Exhibit E, at ACC000014-99*).

13 The Second Solicitation letter further states:

14 We thank you in advance for considering an investment in Granite Loan Fund, and
15 upon completion of the subscription documents and [by providing us with]
16 investment funds, **we look forward to communicating with you regularly when**
quarterly distributions from the fund are processed and disbursed.

17 (*See, Exhibit E, at ACC000017*) (emphasis added).

18 The Second Solicitation letter included, without limitation:

19 A. A detailed, tri-fold, six sided color brochure titled "Granite Loan Fund" that further
20 describes Respondents' Loan and related investment strategies, and the benefits of
21 purchasing the GLF Investments (*See, TC&D, at ¶29(A); also, Exhibit E, at*
22 *ACC000018*); and

23 B. A fourteen page GLF Investment "Private Offering Summary" dated November 1,
24 2010, numbered "**Document #11-30**", and related attachments including: (a) two
25 copies of an eleven page Subscription Agreement for GLF Membership Interests and
26 Special Limited Power of Attorney; (b) biographies for Mr. Payne and Mr. Olson;

1 (c) a twenty five page GLF Operating Agreement, and related attachments including
2 a proposed use of investor funds summary, and copy of the Schedule; (d) a set of
3 "SUBSCRIPTION INSTRUCTIONS"; and (e) two copies of the GLF Operating
4 Agreement "Capital Member Signature Page." (*See, TC&D, at ¶29(B); also,*
5 **Exhibit E, at ACC000020-99) (emphasis added).**

6 These additional investment offering materials were received by Mr. Hanselman on or about
7 December 3, 2010. (**TC&D, at ¶29**).

8 Based, in part, on the foregoing, the Division filed the TC&D soon thereafter on December
9 10, 2010.

10 **C. Respondents' Request to Depose Mr. Hanselman, the Division's Provision of**
11 **All Communications Between Mr. Hanselman and Respondents & Respondents**
12 **Unreasonably Overbroad and Unnecessary Request for Documents and**
Information.

13 As noted in their Motion, Respondents' second set of attorneys requested undersigned
14 counsel to make Mr. Hanselman available for a discovery deposition.

15 In response, the Division voluntarily provided Respondents with redacted copies of all
16 communications in the possession of the Division that were exchanged between Mr. Hanselman
17 and Respondents (the "Written Communications"). (*See, Exhibit E, at February 8, 2011, letter*
18 **from Division Legal Assistant Veronica Sandoval to Paul Roschka, forwarding the Written**
19 **Communications, at ACC000001-99).**

20 Because Mr. Hanselman did not meet with or speak to Respondents, the allegations of the
21 TC&D concerning all communications exchanged between Mr. Hanselman and Respondents are
22 limited to, and do not go beyond the facts set forth in the Written Communications.

23 The Division next requested Respondents' counsel via email dated February 24, 2011, to
24 elaborate on the scope and nature of the types of questions that Respondents desired to ask Mr.
25 Hanselman. (*See, Motion, at Exhibit 4*). In response, Respondents counsel stated as follows:
26

1 I haven't thought it completely through but certainly [I] want to discuss CJ Hansel
2 and his activities at a minimum.

3 **(See, Motion, at Exhibit 4).**

4 The Division next wrote a letter to Respondents' counsel dated February 25, 2011, that:

- 5 (a) expressed the concern that any deposition of Mr. Hanselman would be limited due to
6 the applicable attorney-client, work-product and investigative privileges, and the
7 confidentiality provision of the Act, A.R.S. § 44-2042;
- 8 (b) requested Respondents to provide their "reasonable need" to conduct Mr.
9 Hanselman's deposition as required under A.R.S. § 41-1062(A)(4) of the Arizona
10 Administrative Procedures Act, especially in light of the fact that Respondents may
11 cross-examine Mr. Hanselman at the evidentiary hearing; and,
- 12 (c) requested Respondents to consider an alternative in the form of stipulated
13 facts/testimony concerning Mr. Hanselman's dealings with Respondents.

14 **(See, Motion, at Exhibit 5).**

15 Rather than providing the Division with their "reasonable need" to depose Mr. Hanselman,
16 Respondents filed their Motion on March 4, 2011.

17 In addition to their deposition request, Respondents also foreshadowed a forthcoming
18 motion for the production of documents and information from the Division including, without
19 limitation:

- 20 ➤ For all computers at the Division or in the possession and/or control of the Division's
21 employees with access to the Internet: the search history (i.e., google, yahoo, bing, or other
22 search engines) for the term "Steeple Rock Funding."
- 23 ➤ The website history and internet search history for any computer or Internet connected
24 device (including, but not limited to, a cellular phone or smart phone device (i.e.,
25 Blackberry, iPhone, Droid, etc.) used by Investigator C.J. Hanselman from November 1-
26 December 10, 2010, including but not limited to any personal or work computer in which he
sent and received emails at the address cj.hansel@yahoo.com

**(See, March 4, 2011, letter from Respondents' counsel Jennifer Baker to Mike Dailey, at
¶¶9,11, attached to this Response as Exhibit "F").**

1 The Division briefly addresses this extremely overbroad, unnecessary request for production
2 of documents and information at the end of this Response.

3 **D. Legal Argument**

4 The Administrative Law Judge ("ALJ") should deny Respondents' Motion for the
5 deposition of Mr. Hanselman because: (1) Respondents' Motion is not supported by applicable
6 administrative law; (2) Respondents cannot demonstrate that they have a reasonable need to depose
7 Mr. Hanselman; (3) any deposition of Mr. Hanselman would necessarily be limited by the attorney
8 client, work product and investigative privileges, and the confidentiality provision of the Act,
9 A.R.S. § 44-2042; and (4) Respondents have failed to properly consider available, reasonable
10 alternatives to a pre-hearing, discovery deposition of Mr. Hanselman including their ability to
11 cross-examine and confront Mr. Hanselman at an evidentiary hearing, their ability to examine their
12 own business records and to interview their Investment offerees.

13 Simply put, there is nothing for Respondents to "discover" from Mr. Hanselman.

14 **1. Respondents' Reliance on a Civil Case and the Arizona Rules of Civil**
15 **Procedure is Misplaced.**

16 In support of their Motion, Respondents cite the legally and factually distinguishable case of
17 *Slade v. Schnieder*, 212 Ariz. 176, 181-182, 129 P.3d. 465, 470-71 (App. 2006), for the proposition
18 that in that case, the "Commission waived protections of confidentiality statute, A.R.S. § 44-2042,
19 by making confidential information a matter of public record when it filed the information in its
20 complaint." (Motion, at pp. 2:20 to 3:3).⁹ Respondents are not correct for several reasons.¹⁰

21
22
23 ⁹ As a threshold matter, the Commission cannot "waive" the legislative mandate imposed by the confidentiality statute
of the Act, A.R.S. § 44-2042. Thus, to the extent the *Slade* Court used the term "waive" to support its decision, the
court was incorrect.

24 ¹⁰ As discussed herein, the *Slade* case actually does not hold that the Commission waived the confidentiality
25 provision of the Act, A.R.S. § 44-2042, by merely including the facts uncovered by its investigator in a civil
complaint as suggested by Respondents. Rather, the *Slade* Court narrowly held that the records at issue
26 were not confidential under the statute because the Commission had made a matter of public record a
detailed sworn, affidavit executed by the investigator in support of the Commission's complaint (*i.e.*,
information was not confidential because it had been made a matter of public record).

1 First, *Slade* involved a “civil” complaint filed by the Commission in Maricopa County
2 Superior Court. *Slade*, 212 Ariz. at 177, 129 P.3d at 466. Conversely, this is an administrative
3 case governed by the Act, the Rules of Practice and Procedure Before the Commission, and the
4 Arizona Administrative Procedures Act. As such, Respondents do not have a due process right to
5 conduct discovery or to depose Mr. Hanselman under the civil rules of procedure at issue in the *Slade*
6 case.

7 Rather, as discussed further below, the ALJ *may* order very limited discovery, but only upon a
8 showing of “reasonable need.” *See*, A.R.S. § 41-1062(A)(4). Because the *Slade* decision does not
9 even discuss the administrative rules applicable in this case including the requirement that respondents
10 demonstrate a “reasonable need” to conduct any discovery, Respondents’ Motion should be denied.

11 Second, an investigator’s detailed, sworn “affidavit” was filed in the *Slade* case in support of
12 the Commission’s complaint for a temporary restraining order, the appointment of a receiver and an
13 order freezing the defendants’ assets. The investigators’ testimonial affidavit:

14 explained his duties as including interviewing victims, witnesses and suspects;
15 examining evidence; managing case files; preparing and serving subpoenas, other
16 legal documents and reports; and testifying in judicial proceedings. **The**
17 **investigator referred to specific** numbers of Mathon Fund and Mathon Fund I
18 **investors** that the Commission had identified. The investigator’s affidavit further
19 described information from these investors regarding Petitioners’ representations to
20 them, specific securities and financial transactions involving the two funds and
21 Petitioners’ failure to file appropriate paperwork to secure loans. **Numerous**
22 **investors** also informed the investigator that they would not have invested had they
23 known about some of Petitioners’ activities. Finally, the investigator avowed that
24 Petitioners admitted continuing to raise funds from investors and extending loans to
25 borrowers.

26 *Slade*, 212 Ariz. at 178, 129 P.3d. at 467 (emphasis added).

Conversely, the Division has not filed any testimonial affidavit on behalf of Mr. Hanselman
with the Hearing Division. The TC&D does not contain any of Mr. Hanselman’s thoughts or
impressions. Rather, the TC&D merely incorporates objective facts set forth in documents already
provided by the Division to Respondents (*i.e.*, the Written Communications), and/or in the actual

1 control of Respondents. (*See e.g., Exhibits A through D*). Mr. Hanselman did not write, or sign
2 the TC&D. Thus, Respondents' reliance on the *Slade* decision lacks merit.

3 Further, despite the applicable, broad discovery rules at issue in *Slade* including, without
4 limitation, Ariz. R. Civ. P. 26(b) and 26.1, the court held that the Commission in that case had not
5 waived its work-product privilege even though it had filed the investigator's affidavit:

6 The Commission also explained that the investigator was not expressing opinions in
7 his affidavit but was instead providing a factual summary of portions of his
8 investigation. Because the investigator is not a testifying expert, the Commission
did not waive its work-product immunity.

9 *Slade*, 212 Ariz. at 181, 129 P3d at 470. Applied here, the Division has not waived the work-
10 product, or its attorney-client or investigative privileges relating to Mr. Hanselman's ongoing
11 investigation of Respondents' alleged violations of the Act. Mr. Hanselman is not an "expert," the
12 TC&D does not include any of his "opinions" and Mr. Hanselman did not prepare, sign or file the
13 TC&D.

14 Third, although the *Slade* Court found that the Commission in that case had made otherwise
15 confidential information regarding undisclosed investor names a matter of public record by virtue
16 of the fact that the Commission had filed the investigator's testimonial affidavit in support of the
17 Commission's complaint, there are no such facts present in this administrative case as noted above.

18 Fourth, the *Slade* decision itself supports a finding by the ALJ that the names of the
19 investment offerees in this case are confidential under A.R.S. § 44-2042 because confidential
20 documentation regarding their actual names, etc. have not been "publicly filed:"

21 The Commission responds that the confidentiality of the names, documents and
22 information does not terminate unless the Division files the information and
23 documents with a public tribunal, making them a matter of public record... Though
24 no published cases interpret when the Commission makes the names, information
25 and documents a matter of public record, **we need not determine all of the
Commission's actions that would result in the names, information and
documents no longer being confidential because we agree with the Commission
that this occurs when the Commission files the information or documents with
a public tribunal.**

1 *Slade*, 212 Ariz. at 181-182, 129 P.3d at 470-471(emphasis added).¹¹

2 Applied here, Respondents are not entitled to depose Mr. Hanselman regarding the
3 Division's ongoing investigation because such information is protected by the work-product,
4 attorney-client and investigative privileges and the confidentiality provision of the Act, and said
5 privileges and confidentiality have not been "waived" or otherwise diminished even under
6 reasoning set forth in Respondents' legally and factually distinguishable *Slade* case.¹²
7 Respondents similarly do not need to obtain any documents from Mr. Hanselman because they
8 already have the documents concerning his communications with Respondents. (***See, Exhibit E***).

9 **2. Respondents Have Failed to Establish that They Have a "Reasonable Need" to**
10 **Depose Mr. Hanselman.**

11 In this administrative matter, "[t]he fundamental requirement of due process is the
12 opportunity to be heard 'at a meaningful time and in a meaningful manner.'" *Mathews v. Eldridge*,
13 96 S. Ct. 893 (1976) quoting *Armstrong v. Manzo*, 380 U.S. 545 (1965). Procedural due process
14 requires confrontation and cross-examination. *Willner v. Committee on Character and Fitness*, 83
15 S. Ct. 1175 (1963). "There is no basic constitutional right to pretrial discovery in administrative
16 proceedings." *Silverman v. Commodity Futures Trading Commission*, 549 F.2d 28 (7th Cir. 1977).

17 Courts have often had occasion to consider the limits of discovery in administrative
18 proceedings. Through these deliberations, two salient points have become evident. The first of
19 these is the fact that, because they derive from an entirely distinct process, the rules of civil
20 procedure for discovery **do not** apply in administrative proceedings.¹³ *See, e.g., Pacific Gas and*

21 ¹¹ Holding otherwise would also be tantamount to supporting the untenable proposition that a party to a
22 lawsuit like this one waives all privileges, etc. pertaining to the contents of the litigation file merely by, for
example, filing a complaint or an answer that necessarily incorporates information contained in the litigation
file.

23 ¹² Like the *Slade* decision, Respondents' Motion also does not address the Division's assertion of the
attorney-client privilege as to any information sought to be obtained by Respondents from Mr. Hanselman.
24 (***See, Motion, Exhibit 5***).

25 ¹³ This principle is particularly important from a policy standpoint. Indeed, merging civil discovery rules
into the administrative arena would have many deleterious results, including: (1) allowing respondents to
26 access confidential investigative information far removed from the witnesses and exhibits relevant to the
active case against them; (2) allowing respondents to protract the proceedings indefinitely; (3) allowing
respondents to excessively consume scarce but vital resources better expended on other matters necessary

1 *Electric Company*, 746 F.2d 1383, 1387 (9th Cir. 1984); *Silverman v. Commodity Futures Trading*
2 *Commission*, 549 F.2d. 28, 33 (7th Cir. 1977); *National Labor Relations Board v. Vapor Blast Mfg.*
3 *Co.*, 287 F.2d 402, 407 (7th Cir. 1961); *In re City of Anaheim, et al.* 1999 WL 955896, 70 S.E.C.
4 Docket 1848 (the federal rules of civil procedure do not properly play any role on the issue of
5 discovery in an administrative proceeding).

6 The second of these points is that the authority to pursue discovery during the course of an
7 administrative proceeding is not conferred as a matter of right. In fact, courts have repeatedly
8 recognized that there simply is no basic constitutional right to pretrial discovery in administrative
9 proceedings. *Silverman v. Commodity Futures Trading Commission*, 549 F.2d. 28, 33 (7th Cir.
10 1977); *See also Starr v. Commissioner of Internal Revenue*, 226 F.2d. 721,722 (7th Cir. 1955), cert.
11 denied, 350 U.S. 993, 76 S.Ct. 542 (1955); *National Labor Relations Board v. Interboro*
12 *Contractors, Inc.*, 432 F.2d 854, 857 (2nd Cir. 1970); *Miller v. Schwartz*; 528 N.E.2d 507 (N.Y.
13 1988); *Pet v. Department of Health Services*, 542 A.2d 672 (Conn. 1988). The federal
14 Administrative Procedures Act echoes this point by offering no provision for pretrial discovery
15 during the administrative process. 1 Davis, *Administrative Law Treatise* (1958), § 8.15, p. 588.

16 The statute setting forth the parameters of discovery in administrative proceedings is found in
17 the chapter on Administrative Procedure, A.R.S. § 41-1001, *et seq.* Under Article 6 of this chapter,
18 covering "Adjudicative Proceedings," Arizona administrative law provides as follows:

19 A.R.S. § 41-1062: Hearings; evidence; official notice; power to require testimony and
20 records; Rehearing

21 A. Unless otherwise provided by law, in contested cases the following shall
22 apply:

23 4. The officer presiding at the hearing may cause to be issued subpoenas for the
24 attendance of witnesses and for the production of books, records, documents and
25 other evidence and shall have the power to administer oaths.... *Prehearing*
depositions and subpoenas for the production of documents may be ordered by the
officer presiding at the hearing, provided that the party seeking such discovery

26 for the protection of the public; and (4) allowing respondents to force the agency into the position of a civil
litigant rather than into its proper role as a governmental regulatory authority.

1 demonstrates that the party has reasonable need of the deposition testimony or
2 materials being sought.... Notwithstanding the provisions of section 12-2212, no
subpoenas, depositions or other discovery shall be permitted in contested cases
except as provided by agency rule or this paragraph. (emphasis added).¹⁴

3 The plain import of this provision is that, in Arizona, the only forms of pre-trial discovery
4 permitted in administrative proceedings are: (a) subpoenas, based on a showing of need and
5 authorized by the administrative hearing officer; (b) depositions, based on a showing of need and
6 authorized by the administrative hearing officer; and (c) any other discovery provision specifically
7 authorized under the individual agency's rules of practice and procedure.

8 The Rules of Practice and Procedure, R14-3-101, et seq., serve to augment the available means
9 of pre-trial discovery in administrative proceedings before the Commission. Under these rules, the
10 presiding ALJ may convene pre-hearing conferences regarding proposed exhibits, witness lists, and/or
11 expert testimony and may order the parties to exchange copies of exhibits prior to a hearing. See
12 *Arizona Administrative Code, Title 14, R-14-3-108(A) and R-14-3-109(L)*.

13 In short, there is no constitutional right to discovery in administrative proceedings. Nor
14 does the Constitution require that a respondent in an administrative proceeding be aware of all
15 evidence, information and leads to which opposing counsel might have access. *Pet v. Dep't of*
16 *Health Serv.*, 207 Conn. 346, 542 A.2d 672 (1988) quoting *Federal Trade Comm'n v. Anderson*,
17 631 F.2d 741, 748 (D.C.Cir. 1979); *Cash v. Indus. Comm'n of Arizona*, 27 Ariz. App. 526, 556
18 P.2d 827 (App. 1976).

19 As a threshold matter, any possible finding of reasonable need by the ALJ in this case must
20 overcome and/or outweigh the important policy purpose underlying A.R.S. § 44-2042, which is, in
21 part, to encourage investment victims to freely cooperate with and provide the Division with
22 sensitive information during the "investigation" phase of administrative cases, without fear of
23

24 ¹⁴ In support of their Motion, Respondents cite A.A.C. R14-3-109(O). However, that rule only applies to
25 subpoenas related to evidentiary hearings. Here, Respondents have not even filed an answer to the TC&D,
26 and no evidentiary hearing date has been set. Respondents also cite A.A.C. R14-3-109(P) relating to
depositions. However, that rule is subject to the limitations and "reasonable need" requirement set forth
above.

1 reprisal or embarrassment.

2 If the Arizona legislature had intended that respondents in securities enforcement actions
3 like this one were entitled to obtain all information contained in the Division's confidential
4 investigative file whether in verbal, written or electronic form, as suggested by Respondents, then
5 they would not have promulgated A.R.S. § 44-2042.

6 Applied here, Respondents will be afforded the evidentiary hearing they requested and, at
7 that time, they may cross examine and/or confront Mr. Hanselman regarding his written
8 communications with Respondents and any other witnesses offered by the Division. However,
9 Respondents are not entitled to engage in a broad discovery deposition of Mr. Hanselman at this
10 time, nor are they entitled to obtain, for instance, his work computer, computer files, web browsing
11 history or his personal cellular phone. (**See, Exhibit F, at ¶11**).

12 Further, Respondents have not articulated exactly what specific, non-written information
13 they believe Mr. Hanselman may have that they do not. Rather, when asked what types of specific
14 questions they desired to ask Mr. Hanselman, Respondents' counsel vaguely responded, "I haven't
15 completely through but certainly [I] want to discuss CJ Hansel and his activities at a minimum."
16 (**See, Motion, at Exhibit 4**). A desire to engage in an admitted fishing expedition does not
17 outweigh the policy purposes underlying A.R.S. § 44-2042.

18 Regarding the reasonable need requirement, Respondents baldly assert that they have a
19 "substantial need" to depose Mr. Hanselman "because his possible deceptive acts form the basis for
20 the allegations of the TC&D" and because Mr. Hanselman will testify at the evidentiary hearing.
21 (Motion, p.2:7-10).

22 First, Respondents do not need to depose Mr. Hanselman to determine whether he is
23 accredited, "or whether his representations were subterfuge." The TC&D makes clear that Mr.
24 Hanselman is not accredited and, therefore, he engaged in so called "subterfuge." (TC&D, at ¶24).¹⁵

25
26 ¹⁵ However, merely asking a total stranger to make their own determination as to whether they are
accredited, especially after: (a) Respondents had already effected an offer of securities; and (b) Respondents
had already represented in writing to the stranger that the investments were safe, secure, and provided

1 Because: (1) the TC&D sets forth all communications that Mr. Hanselman exchanged with
2 Respondents; and (2) Respondents already have copies of said communications, including those
3 provided by the Division to Respondents and those contained in their own business records,
4 Respondents do not have a reasonable need to conduct a deposition of Mr. Hanselman to determine
5 whether he is, or is not, accredited.

6 Second, Respondents do not need to depose Mr. Hanselman to determine the identity of the
7 second potential investor identified in the TC&D. (**Motion, p. 2:20-23**). Respondents know to
8 whom they provided their investment offering and solicitation letters, emails and attached sales
9 documents. Respondents can interview these offerees at their convenience.

10 Further, there is no actual assertion in Respondents' Motion that Respondents do not know
11 the identity of the second potential investor discussed in the TC&D. Because Respondents can
12 interview their own investment offerees at issue in this case and/or call them as witnesses to testify
13 at the evidentiary hearing, Respondents have no "reasonable need" to depose Mr. Hanselman
14 regarding the same.

15 Third, Respondents claim they need to depose Mr. Hanselman to "discover the facts
16 underlying the TC&D." (**Motion, p.2:24-25**). The plain language of the TC&D is based on the
17 plain language of Respondents' business records, including their Website, investment offering
18 materials, and Investment solicitation communications. In short, there is no allegation in the
19 TC&D that the Respondents cannot confirm or deny from simply reviewing their own records.
20 Because the Division will stipulate to the facts contained in the TC&D, there can be nothing left to
21 discover from Mr. Hanselman that has any bearing on whether Respondents violated the Act. As a
22 matter of fact and law, Respondents cannot have a reasonable need to discover the facts
23 "underlying" the TC&D from Mr. Hanselman when they are already in possession of such facts.

24 Fourth, Respondents claim they need to depose Mr. Hanselman to "explore with Mr.
25

26 "Outstanding investment returns" of 8 to 11%, does not constitute either a reasonable inquiry, or form the
basis for a good faith belief that the stranger is accredited.

1 Hanselman the basis from which the urgency arose to issue the TC&D and what ‘immediate’ threat
2 Respondents posed to the public welfare.” (**Motion, p.2:17-19**).

3 In short, Respondents want to depose Mr. Hanselman regarding the Division’s internal
4 securities enforcement policies and procedures. Mr. Hanselman is not an attorney, he is not
5 Division management, and the TC&D does not contain any of his non-existent legal conclusions.
6 Any involvement by Mr. Hanselman in any internal Division deliberations regarding the merits of
7 the allegations contained in the TC&D are clearly protected by the work-product, attorney-client
8 and investigative privileges, and the confidentiality provision of the Act, A.R.S. § 44-2042. Thus,
9 Respondents simply cannot demonstrate that they have a reasonable need to depose Mr. Hanselman
10 to “explore” the legal basis underlying the filing of the TC&D.

11 There is nothing to discover from Mr. Hanselman. Apart from evidentiary and foundation
12 based questions, everything he will testify to at hearing is contained in the TC&D. The Division is
13 also willing to stipulate to Mr. Hanselman’s hearing testimony now; however, the Respondents
14 have not expressed a willingness to work with the Division on any such stipulation.

15 Based on the foregoing, and because Respondents may also cross-examine Mr. Hanselman
16 at the evidentiary hearing and/or conduct their own reasonable investigation including, without
17 limitation, conducting interviews of Respondents’ investment offerees, Respondents’ Motion
18 should be denied.

19 **3. Respondents’ Unsupported Assertion Regarding The Fact that They**
20 **Purportedly Sought Legal Advice is Irrelevant And Lacks Merit.**

21 Respondents testified during their recent examinations under oath that prior to engaging in
22 their wide ranging Investment offering discussed, in part, above, they sought and obtained advice
23 from an attorney and an employee of the Division (**Motion, at p.2:11-14**).

24 First, the so-called “advice of counsel” or “advice of regulatory agency” arguments are no
25 defense to violations of the Act. Regardless, as noted above, Respondents: (a) overreached during
26 their wide ranging securities offering in violation of the Act; and/or (b) they either received

1 erroneous advice and/or did not follow any accurate advice. Second, Respondents have tellingly
2 not provided to the Division any documents regarding any such alleged legal advice, as requested
3 by the Division. (*See, Motion, at Exhibit 8, p.3, ¶11*). As a result, Respondents' repeated,
4 unsupported statements that Respondents sought legal or any other advice are irrelevant and must
5 be ignored.

6 Respondents' also assert that they should be allowed to depose Mr. Hanselman to determine
7 why the Division filed the TC&D "without first picking up the telephone and contacting
8 Respondents to see if the problem could have been resolved without official action." (*Motion,*
9 *p.2:1-3*). However, there is no legal obligation for the Division to just call a respondent before
10 filing an action. Also, as evident by plain language of the Motion, Respondents still claim to have
11 done nothing wrong in this case. As a result, it is difficult to imagine exactly how calling
12 Respondents would have resulted in any meaningful resolution of this matter, especially given their
13 numerous violations of the Act as set forth in part above. Regardless, whether the Division did or
14 did not telephone Respondents prior to filing the TC&D, cannot constitute a "reasonable need" for
15 Respondents to conduct a pre-hearing discovery deposition of Mr. Hanselman.

16 **4. Respondents' Overbroad and Unnecessary Document and Informational**
17 **Discovery Requests.**

18 As a threshold matter, the Division intends to provide Respondents will all documentation
19 the Division will seek to introduce as evidence at the evidentiary hearing of this matter on or before
20 April 29, 2011.

21 This is an administrative matter, however, and the Division will not be providing, for
22 instance, its computers or the cell phones of its employees. (*See, Motion, Exhibit 11*).

23 Also, Respondents' comments regarding the Division's requests for documents are not
24 correct. Respondents' first attorney chose to provide an incomplete or partial initial response to the
25 subpoenas. As a result, the Division's second and third specific requests for documents were
26 intended to assist Respondents in complying with the subpoenas. Respondents' response to the

1 Division's second specific request for documents is also not complete, nor was it provided "without
2 objection" as suggested by Respondents. (*See, Exhibit B, at p.1 (setting forth 5 objections to the*
3 *Division's request for documentation); also, March 2, 2011, email from Paul Roshka to Mike*
4 *Dailey indicating that Respondents will not comply with the Division's request for*
5 *information, attached as Exhibit "H").*

6 The Division's second, specific request for documents was necessary to address the many
7 legal and factual arguments contained in a detailed letter provided by Respondents' first counsel
8 while the parties discussed a possible settlement of this matter. (*See, Exhibit G*). Finally, the
9 Division's third specific request for documents was necessary to address many of the issues raised
10 by Mr. Payne and Mr. Olson's recent examinations under oath.

11 **D. Conclusion.**

12 Based on the foregoing, the Division respectfully requests the ALJ to deny Respondents'
13 Motion, and/or quash any subpoena issued to take the discovery deposition of Division investigator
14 Mr. Hanselman.

15 Should Respondents file a motion for the production of documents and information as set
16 forth in their March 4, 2011, letter attached as Exhibit 11 to their Motion, the Division will further
17 respond to the same at the appropriate time.

18 RESPECTFULLY SUBMITTED this 18th day of March, 2011.

19 ARIZONA CORPORATION COMMISSION

20
21 By _____

22 Mike Dailey
23 Attorney for the Securities Division of the
24 Arizona Corporation Commission
25
26

1 ORIGINAL AND EIGHT (8) COPIES of the foregoing
2 filed this 18th day of March, 2011 with:

3 Docket Control
4 Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

5 COPY of the foregoing hand-delivered
6 this 18th day of March, 2011 to:

7 Mr. Marc E. Stern
8 Administrative Law Judge
Arizona Corporation Commission/Hearing Division
1200 W. Washington St.
Phoenix, AZ 85007

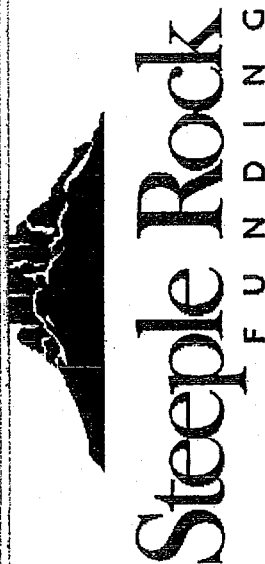
9 COPY of the foregoing mailed
10 this 18th day of March, 2011 to:

11 Paul Paul Roshka, Esq.
12 Jennifer Baker, Esq.
13 Roshka DeWulf & Patten
One Arizona Center
400 East Van Buren Street
Suite 800
Phoenix, Arizona 85004
15 *Attorney for Respondents*

16 By:

Veronica Sandoval

Exhibit “A”



ACC000302
FILE #8219

Granite Loan Fund

- The fund offers an investment opportunity in secured first deeds of trust on non-owner occupied residential properties in the state of Arizona
- The opportunity is restricted to accredited investors, generally defined as those with over \$1 MM in net worth or over \$200,000 in annual household income the past 2 years.
- Investment seeks to provide exceptional investment returns to its investors, while maintaining a prudent "margin of safety" in its investment criteria.
- Outstanding investment returns*
- Quarterly investor distributions*
- Reasonable withdrawal privileges
- Low historic borrower default rates
- Seasoned management team

*Projected annual investor income distributions of 8.00% - 11.04%

THE INFORMATION PROVIDED IS FOR INFORMATIONAL PURPOSES ONLY. IT IS NOT INTENDED TO BE AN OFFERING OF SECURITIES NOR A SOLICITATION TO PURCHASE SECURITIES. OFFERS OF SECURITIES CAN ONLY BE MADE PURSUANT TO A PRIVATE PLACEMENT MEMORANDUM DELIVERED TO QUALIFIED OFFEREEES. INTERESTED ACCREDITED INVESTORS MAY DIRECT INQUIRIES TO:

Steeple Rock Funding, LLC

Brent Payne



Brent@SteepleRockFunding.com

Michael Olson

or 480-926-6620

Mike@SteepleRockFunding.com

Exhibit “B”

ROSKA DEWULF & PATTEN

ROSKA DEWULF & PATTEN, PLC
ATTORNEYS AT LAW
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET
SUITE 800
PHOENIX, ARIZONA 85004

VIA HAND DELIVERY

Mr. Clyde J. Hanselman, Special Investigator
Securities Division
Arizona Corporation Commission
1300 W. Washington Street, 3rd Floor
Phoenix, AZ 85007

Received

FEB 11 2011

**Arizona Corp. Commission
Securities Division**

ACC000431
FILE #8219

ROSHKA DEWULF & PATTEN

ROSHKA DEWULF & PATTEN, PLC
ATTORNEYS AT LAW
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET
SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

February 11, 2011

VIA HAND DELIVERY

Mr. Clyde J. Hanselman, Special Investigator
Securities Division
Arizona Corporation Commission
1300 W. Washington Street, 3rd Floor
Phoenix, AZ 85007

Re: In re Arthur Brent Payne, et. al.
Docket No. S-20772A-10-0489

Dear Mr. Hanselman:

We represent Arthur Brent Payne, Carolyn L. Payne, Michael Olsen, Sherri Olson, Steeple Rock Funding, LLC, and Granite Loan Fund, LLC (the "Respondents"), in connection with responding to Mr. Dailey's January 21, 2011 letter (the "Request Letter") in which he requests additional documents pursuant to the *subpoenas duces tecum* previously served on the Respondents.

Before responding to each of the enumerated items in the Request Letter, the Respondents make the following general objections to the requests:

- A. The Respondents object to any of the requests to the extent they purport to require them to produce information or documents that are not in their possession, custody or control.
- B. The Respondents object to any of the requests to the extent they purport to require them to produce or identify any information or document protected by the attorney-client privilege, the work-product doctrine, and/or any other privilege available under Federal or state statutory, constitutional or common law.
- C. The Respondents object to any of the requests to the extent they purport to require them to produce personal confidential information regarding third parties and/or proprietary information.
- D. The Respondents object to any of the requests to the extent the quantity, detail, format and scope of the information is exceedingly overbroad,

ACC000432
FILE #8219

ROSHKA DEWULF & PATTEN

Mr. Clyde J. Hanselman
February 11, 2011
Page 2

unduly oppressive and burdensome, not properly limited in time or scope, and not calculated to lead to the discovery of admissible evidence.

- E. The Respondents provide the responses below based on the information reasonably available to them at this time and reserve the right to supplement or modify any responses as additional documents or information becomes available.

We respond to items in the Request Letter in the order in which they are requested:

1. Copies of correspondence are produced herewith with Bate Nos. PAYNE00001 – PAYNE00107. The enclosures noted on these letters are produced with Bate Nos. PAYNE00108 – PAYNE00137.

Copies of correspondence in which the Granite Loan Fund Private Offering Summary (referenced in Exhibit D to the Request Letter) are produced herewith with Bate Nos. PAYNE00138 – PAYNE00156.

Copies of emails are produced herewith with Bate Nos. PAYNE00157 – PAYNE00567. The enclosures referenced in the emails are produced with Bate Nos. PAYNE00568 - PAYNE00620.

2. There are no documents responsive to this request.
3. There are no documents responsive to this request.
4. Respondents will supplement their response to this request.
5. Documents responsive to this request for Steeple Rock Funding, LLC are produced with Bate Nos. PAYNE00621 – PAYNE00634. There is no bank account for Granite Loan Fund.
6. Meetings were as follows:

November 23, 2010

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] Arizona [REDACTED]
[REDACTED]

ACC000433
FILE #8219

ROSHKA DEWULF & PATTEN

Mr. Clyde J. Hanselman
February 11, 2011
Page 4

cc: Brent Payne (via email only w/out enclosures)
Michael Dailey, Esq. (via email only w/out enclosures)

Payne.ACC/ltr/Hanselman01.doc

ACC000435
FILE #8219

Exhibit “C”



Steeple Rock
FUNDING

EXHIBIT "A"

670 E. Encinas Ave Gilbert, AZ 85234 Tel (480) 633-6800 Fax (602) 296-0114
Arizona M.B. #0913524 www.SteepleRockFunding.com

December 17, 2010

Mr. _____

RE: Secured Residential Trust Deed Investment Program

Dear Mr. _____,

Thank you for your potential interest in considering an investment in a **Secured Short-Term Residential Trust Deed Investment Program** sponsored by Steeple Rock Funding, LLC. In follow-up to our recent communication, enclosed is an executive summary and informational brochure which briefly discusses and introduces our investment objective, philosophy, financial returns, the company, and the **Granite Loan Fund**.

Foreclosure sales are a major factor in the current local Arizona residential market, with a resulting "re-pricing" of the existing housing inventory, which we believe will continue for a number of years. As outlined in the enclosed executive summary, our secured lending programs offer investors a sensible approach to participating in the "housing inventory re-pricing process" while providing *(i) safety of capital, (ii) attractive investment yields, and (iii) regular earnings distributions – all without the operational headaches of property ownership.*

Investors may participate in a Steeple Rock Funding program through an investment in:

- a. Granite Loan Fund, LLC (offered by Private Offering Summary); or,
- b. A Customized Single-Investor Fund (\$1,000,000 minimum)

If this is an appropriate investment option for you, your retirement account or one of your clients or colleagues, we would be pleased to send you a Private Offering Summary complete with detailed investment information and offering subscription documents. I will contact you in the near future to discuss your interest, questions and comments.

Best regards,

A. Brent Payne

e-mail: Brent@SteepleRockFunding.com

Enclosures: Executive Summary
Granite Loan Fund Brochure

ACC000315
FILE #8219

EXHIBIT "B"



Executive Summary

Secured Short-Term Residential Trust Deed Investments

Investment Objective:

Steeple Rock Funding, LLC (the "Company") seeks to provide exceptional investment returns to its investors, while minimizing risk by maintaining a prudent "margin of safety" in its investment criteria while offering a level of investor liquidity through reasonable fund withdrawal privileges.

Investment Description:

Acting as a principal in the funds it operates, the Company makes investments in secured short-term loans secured by first deeds of trust on non-owner occupied residential properties in Arizona.

Investment Rationale:

The residential markets in Arizona have experienced significant price and sales volume declines, with a dramatic "resetting" of property values. High levels of foreclosure sales of existing residential properties are occurring in the local Arizona market. This has created a tremendous need for capital by operators who purchase residential properties at foreclosure, with the intent to rehabilitate and resell (the "Operators").

Traditional bank financing is generally not available to the Operators -- financing is occurring through all equity transactions or through a combination of equity, supplemented by borrowings from private lending sources. Due to the relatively short-term nature of the activity (usually about 90-120 days from initial purchase date to the date of resale), the Operators are willing and can afford to pay a relatively high rate of interest on funds, while maintaining a good profit margin. In essence, at the present time, the Operators are the "homebuilders". The "rehabbed home" is in a strong "low cost" competitive market position relative to a new home offering by a traditional homebuilder.

The Company offers funding to Operators in the residential foreclosure market by extending short-term loans, secured by first trust deeds. An investment in one of the Company's sponsored funds creates investor opportunity to participate in the property foreclosure market without the attendant "operator issues" that occur with active property ownership and management.

Investment Vehicles:***Granite Loan Fund, LLC - \$10,000,000 Fund***

Suitable for "accredited investors" with a minimum investment of \$100,000

Quarterly investor distributions

Projected annual investor returns of 8.00 % - 11.04% (see attached schedule)

Fund lock-up period of 1 year with investor withdrawals allowed thereafter on a reasonable "funds available" basis

Investment offered through a Private Offering Summary** (see below)

Fund scheduled to operate through December 31, 2015

Customized Single Investor Fund - \$1,000,000 Fund Minimum

Suitable for "accredited investors" with a minimum investment of \$1,000,000

Quarterly investor distributions

Projected annual investor returns of 8.00 % - 11.04% (see attached schedule)

Investment Benefits:

- Excellent alternative to traditional fixed income investments
- Safely participate in the Arizona residential real estate foreclosure market opportunity without "operational headaches"
- Short lending maturity periods (generally 6 months) result in regular turnover of funds and a relatively high degree of liquidity
- Investments solely in first deeds of trust on non-owner occupied residential properties
- Prudent "margin of safety" lending practices
- Historically low borrower default rates
- Seasoned management team

About the Company:

Steeple Rock Funding, LLC is owned and managed by A. Brent Payne and Michael R. Olson. Mr. Payne and Mr. Olson have extensive experience in real estate investment, development, finance and accounting, with solid proven investor results over extended periods of time in a variety of real estate investment activities.

A. Brent Payne

Tel: (480) 633-6800

E-mail: brent@steeplerockfunding.com

Michael R. Olson

Tel: (480) 926-6620

E-mail: mike@steeplerockfunding.com

Steeple Rock Funding, LLC (AZ MB #0913524)

670 E. Encinas Ave.

Gilbert, AZ 85234

**The information provided herein is for informational purposes only. It is not intended to be an offering of securities nor a solicitation to purchase securities. Offers of securities can only be made pursuant to a Private Offering Summary delivered to qualified offerees. Interested parties may contact Company representatives listed above. (November, 2010)

ACC000317

FILE #8219

Steeple Rock Funding, LLC				
Schedule of Projected Investor Returns				
Example #1:				
Assumed Capital Utilization	95.00%	of Available Funds		
Assumed Reserves, Operating Expenses	3.00%	of Gross income		
Average Borrower Annual Interest Rate	18.00%	17.00%	16.00%	15.00%
Multiply by: Assumed Capital Utilization	95.00%	95.00%	95.00%	95.00%
Actual Gross Interest Income on Available Funds	17.10%	16.15%	15.20%	14.25%
Less: Reserves, Operating Expenses	-0.54%	-0.51%	-0.48%	-0.45%
Annual Distributable Fund Profits	16.56%	15.64%	14.72%	13.80%
Investor Distribution of Fund Profits	66.67%	66.67%	66.67%	66.67%
Annual Investor Profit Distribution - Return on Investment	11.04%	10.43%	9.81%	9.20%
Annual Investor Profit Distribution - \$100,000 Investment	\$11,040	\$10,427	\$9,813	\$9,200
Example #2:				
Assumed Capital Utilization	90.00%	of Available Funds		
Assumed Reserves, Operating Expenses	4.00%	of Gross income		
Borrower Annual Interest Rate	18.00%	17.00%	16.00%	15.00%
Multiply by: Assumed Capital Utilization	90.00%	90.00%	90.00%	90.00%
Actual Gross Interest Income on Available Funds	16.20%	15.30%	14.40%	13.50%
Less: Reserves, Operating Expenses	-0.72%	-0.68%	-0.64%	-0.60%
Annual Distributable Fund Profits	15.48%	14.62%	13.76%	12.90%
Investor Distribution of Fund Profits	66.67%	66.67%	66.67%	66.67%
Annual Investor Profit Distribution - Return on Investment	10.32%	9.75%	9.17%	8.60%
Annual Investor Profit Distribution - \$100,000 Investment	\$10,320	\$9,747	\$9,173	\$8,600
Example #3				
Assumed Capital Utilization	85.00%	of Available Funds		
Assumed Reserves, Operating Expenses	5.00%	of Gross income		
Borrower Annual Interest Rate	18.00%	17.00%	16.00%	15.00%
Multiply by: Assumed Capital Utilization	85.00%	85.00%	85.00%	85.00%
Actual Gross Interest Income on Available Funds	15.30%	14.45%	13.60%	12.75%
Less: Reserves, Operating Expenses	-0.90%	-0.85%	-0.80%	-0.75%
Annual Distributable Fund Profits	14.40%	13.60%	12.80%	12.00%
Investor Distribution of Fund Profits	66.67%	66.67%	66.67%	66.67%
Annual Investor Profit Distribution - Return on Investment	9.60%	9.07%	8.53%	8.00%
Annual Investor Profit Distribution - \$100,000 Investment	\$9,600	\$9,067	\$8,533	\$8,000

GRANITE LOAN FUND

EXHIBIT 11C11



SPONSORED BY



Steeple Rock
FUNDING

ACC000319
FILE #8219

INVESTMENT OPPORTUNITY

- The Arizona residential market has experienced significant price and sales volume declines, with a dramatic "resetting" of property values.
- The high rate of foreclosures has created opportunities for those who purchase foreclosed homes with the intent to rehabilitate and resell (the "Operators").
- The "rehabbed home" is in a strong "low cost" competitive market position relative to a new home offering by a traditional homebuilder.
- Traditional bank financing is generally not available to the Operators – financing is occurring through all equity transactions or equity supplemented by borrowing from private lending sources.
- Due to the relatively short-term nature of loans (generally 90-120 days) the Operators are willing and can pay a relatively high rate of interest, while maintaining a good profit margin.
- Steeple Rock Funding, LLC offers capital to Operators in the residential foreclosure market by extending short-term loans secured by first deeds of trust.
- An investment in the Granite Loan Fund creates the opportunity for investors to participate in the foreclosure market without the "Operator issues" that occur with active property management and ownership.

INVESTMENT SUMMARY

Investment Opportunity	Granite Loan Fund, LLC
Total Raise	\$10 million
Investor Qualifications	"Accredited" as defined in supporting documents (Generally \$1 MM net worth, or \$200,000 annual income past 2 years)
Minimum Investment Amount	\$100,000
Target Return to Investors	8.00% - 11.04%
Period of Fund Operations	Through December 31, 2015
Investor Distributions	Paid Quarterly
Type of Investments	Promissory Notes Secured by First Deeds of Trust on Non-Owner Occupied Properties
Lending Territory	Within the State of Arizona
Term of Loans	Generally 6 months

Loans will be originated and underwritten by Steeple Rock Funding, LLC, Arizona Mortgage Broker License #0913524. Loans will be self-serviced by Granite Loan Fund, LLC with Steeple Rock Funding, LLC as Managing Member

GENERAL LENDING PARAMETERS

Lending Parameters

- Non-Owner Occupied Residential Properties
- First Position Deeds of Trust
- Title Status Verified with Condition of Title Report from Reputable Title Company
- 20% of Purchase Price Down Payment
- 70% Maximum Loan-to-Value
- Average Loan Amount \$120,000
- Property Taxes Current
- Evidence of Insurance Prior to Loan Funding

Valuation Parameters

- Detailed Comparable Analysis Using the Arizona Regional Multiple Listing Service, Physical Inspections, and Active Tracking of Foreclosures through Online Resources.
- Comps within 1 Mile Radius
- Sale Comps within 3 Months
- Maximum of 10% REO or Pending Foreclosure in Given Search Area
- Like Property-Bed/Bath/Garage/Pool/Lot size
- Minimum of 5 Active Listings
- Minimum of 3 Properties Sold
- Disqualify Uniquely High-Priced Homes

WHY INVEST IN THE GRANITE LOAN FUND?

- Secured Investments in First Deeds of Trust
- Excellent Alternative to Fixed Income Investments
- Outstanding Investment Returns*
- Quarterly Investor Distributions*
- Reasonable Withdrawal Privileges
- Reduction of [Fixed Income] Interest Rate Risk
- Safe Participation in Residential Foreclosure Market
- Prudent "Margin of Safety" Investing
- Maximum 70% Loan-To-Value
- Significant Borrower Equity Investment Required
- Low Historic Borrower Default Rates
- Seasoned Management Team

** Projected annual investor income distributions of 8.00% - 11.04%*



Steeple Rock

FUNDING

**To Obtain Investment
Information
for the Granite Loan Fund, LLC
Please Contact:**

**Brent Payne
480-633-6800
Brent@SteepleRockFunding.com**

Or

**Mike Olson
480-926-6620
Mike@SteepleRockFunding.com**

THE INFORMATION PROVIDED WITHIN IS FOR INFORMATIONAL PURPOSES ONLY. IT IS NOT INTENDED TO BE AN OFFERING OF SECURITIES NOR A SOLICITATION TO PURCHASE SECURITIES. OFFERS OF SECURITIES CAN ONLY BE MADE PURSUANT TO A PRIVATE PLACEMENT MEMORANDUM DELIVERED TO QUALIFIED OFFEREES. INTERESTED PARTIES MAY DIRECT INQUIRIES TO:

**Steeple Rock Funding, LLC
670 E Encinas Ave.
Gilbert, AZ 85234
SteepleRockFunding.com**

Exhibit “D”



670 E. Encinas Ave Gilbert, AZ 85234 Tel (480) 633-6800 Fax (602) 296-0114
Arizona M.B. #0913524 www.SteepleRockFunding.com

Date

EXHIBIT "D11"

Mr. _____

RE: Private Offering Summary of
Granite Loan Fund, LLC

Dear Mr. _____:

I am sending you the enclosed in follow-up to our discussion last evening. Thank you for your interest in participating in our **Secured Short-Term Residential Trust Deed Investment Program** through an investment in **Granite Loan Fund, LLC**. Enclosed you will find the following:

- a. Private Offering Summary of Granite Loan Fund, LLC
- b. Instruction Sheet – for use in completing the enclosed paperwork
- c. Subscription Agreement – 2 copies
- d. Operating Agreement Capital Member Signature Page – 2 copies
- e. Granite Loan Fund brochure

Please complete the Subscription Agreement and Capital Member Signature Page following the instructions provided in the Instruction Sheet, and return the documents to us for processing.

We thank you in advance for your investment in the Granite Loan Fund. Upon receipt of the completed subscription documents and investment funds, they will be processed promptly and an acknowledgement sent to you. We look forward to communicating with you regularly as quarterly distributions from the fund are processed and disbursed.

Best regards,

A. Brent Payne

Enclosures: Private Offering Summary (with document package)
Granite Loan Fund Brochure

EXHIBIT "E"

DOCUMENT # 11-44

GRANITE LOAN FUND, LLC

An Arizona Limited Liability Company

PRIVATE OFFERING SUMMARY

November 1, 2010

\$10,000,000 Equity Offering

400 Membership Interests at \$25,000 per Interest

Sponsored by



Granite Loan Fund, LLC is offering a private offering solely to "Accredited Investors" as defined in Rule 501(a) of the Securities and Exchange Commission Regulations.

These securities have not been approved or disapproved by the Securities and Exchange Commission (SEC) or the Arizona Corporation Commission, nor have such entities passed upon the merits or otherwise approved the offering.

Investors must acquire these interests solely for purposes of investment and the investors may not sell the investment interests unless and until the investment interests are first registered or qualify for exemption from registration under the Federal and State of Arizona securities statutes.

Exhibit “E”

COMMISSIONERS
GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR



MATTHEW J. NEUBERT
DIRECTOR

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: securitiesdiv@azcc.gov

ARIZONA CORPORATION COMMISSION

February 25, 2011

VIA CERTIFIED MAIL/RETURN RECEIPT REQUESTED & EMAIL

Paul Roshka, Esq.
Roshka DeWulf & Patten
One Arizona Center
400 East Van Buren Street
Suite 800
Phoenix, Arizona 85004

Re: *In re Arthur Brent Payne, et al.*, Docket No. S-20772A-10-0489

Paul:

The purpose of this letter is to respond to your request to take the deposition of Securities Division Special Investigator C.J. Hanselman.

As you know, Mr. Hanselman is presently employed by the Securities Division, in part, as the investigator assigned to the Division's "ongoing" investigation of your clients in the above captioned matter.

I asked you via email dated February 24, 2011, to provide me with the type of questions that you desired to ask Mr. Hanselman. You responded via email on the same date that you wanted to discuss Mr. Hanselman himself "and his activities at a minimum."

As you know, Mr. Hanselman contacted your clients in writing under the name "CJ Hansel" to inquire about the possible purchase of the Granite Loan Fund, L.L.C. securities at issue. The sum total of Mr. Hanselman's communications with your clients is set forth, in detail, at paragraphs 21 through 29 of the Division's pending "Temporary Order To Cease And Desist And Notice Of Opportunity For Hearing" filed on December 10, 2010.

There were never any verbal communications between Mr. Hanselman and your clients. Importantly, we voluntarily provided to you via letter dated February 8, 2011, copies of the written communications. For your easy reference, I have attached said letter and attachments to this letter.

Paul Roshka, Esq.
February 25, 2011
Page 2 of 2

Based on the foregoing, the Division is concerned that any of your questions asking for facts not contained in the attached written communications would related to information protected by the attorney-client and work product privileges, and information protected by the confidentiality provision of the Arizona Securities Act, A.R.S. § 44-2042. As such, we cannot envision allowing Mr. Hanselman to answer your questions without violating A.R.S. § 44-2042.

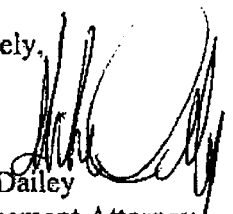
Under A.R.S. § 41-1062(A)(4) of the Arizona Administrative Procedure Act, the assigned administrative law judge may order the deposition of a witness based on a showing of "reasonable need."

Applied here, I ask you to provide me with what you consider to be your clients' reasonable need to depose Mr. Hanselman, especially in light of the fact that you may cross examine him at the evidentiary hearing.

Finally, please consider an alternative in the form of stipulated facts and/or pre-evidentiary hearing testimony. I will consider anything you and/or Jennifer Baker put together.

Thank you and please let me know if you have additional questions.

Sincerely,


Mike Dailey
Enforcement Attorney
602-542-0722 (direct line)

(Enclosure)

COMMISSIONERS
GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR



MATTHEW J. NEUBERT
DIRECTOR

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: securities@azcc.gov

ARIZONA CORPORATION COMMISSION

February 8, 2011

Paul Roshka, Esq.
Roshka DeWulf & Patten
One Arizona Center
400 East Van Buren Street
Suite 800
Phoenix, Arizona 85004

Re: *In re Arthur Brent Payne, et al.*, Docket No. S-20772A-10-0489

Dear Mr. Roshka:

Enclosed are copies of the following documents:

1. Emails exchanged between respondent Michael Richard Olson and Securities Division Special Investigator Clyde J. Hanselman dated November 26, 29 & 30, 2010 (ACC000001 - ACC000015); and,
2. Letter dated November 30, 2010, from respondent Michael Richard Olson to Securities Division Special Investigator Clyde J. Hanselman, and enclosures (ACC000016 - ACC000099).

If you have any questions regarding the enclosed documents, your office may contact me at (602) 542-0206.

Sincerely,

A handwritten signature in cursive script, appearing to read "Veronica Sandoval".

Veronica Sandoval
Legal Assistant, Securities Division

/vs
Enclosures

From: Mike Olson (mikerolsen@cbx.net)
To: cj.hansel@**[REDACTED]**;
Date: Fri, November 26, 2010 1:16:13 PM
Cc:
Subject: re: Executive Summary - Steeple Rock Funding, LLC

CJ,

Thanks for your interest in the Granite Loan Fund sponsored by Steeple Rock Funding, LLC. Enclosed is a brief summary outlining our business model and investment rationale. Please provide your mailing address and I will mail to you our complete private placement documents for review.

Regards,

Mike Olson

Office: 480-926-6620

Cell: 480-313-4953

www.SteepleRockFunding.com

AZ Mortgage Broker License #0913524



ACC000001
FILE #8219

11/29/2010



Executive Summary

Secured Short-Term Residential Trust Deed Investments

Investment Objective:

Steeple Rock Funding, LLC (the "Company") seeks to provide exceptional investment returns to its investors, while minimizing risk by maintaining a prudent "margin of safety" in its investment criteria while offering a level of investor liquidity through reasonable fund withdrawal privileges.

Investment Description:

Acting as a principal in the funds it operates, the Company makes investments in secured short-term loans secured by first deeds of trust on non-owner occupied residential properties in Arizona.

Investment Rationale:

The residential markets in Arizona have experienced significant price and sales volume declines, with a dramatic "resetting" of property values. High levels of foreclosure sales of existing residential properties are occurring in the local Arizona market. This has created a tremendous need for capital by operators who purchase residential properties at foreclosure, with the intent to rehabilitate and resell (the "Operators").

Traditional bank financing is generally not available to the Operators -- financing is occurring through all equity transactions or through a combination of equity, supplemented by borrowings from private lending sources. Due to the relatively short-term nature of the activity (usually about 90-120 days from initial purchase date to the date of resale), the Operators are willing and can afford to pay a relatively high rate of interest on funds, while maintaining a good profit margin. In essence, at the present time, the Operators are the "homebuilders". The "rehabbed home" is in a strong "low cost" competitive market position relative to a new home offering by a traditional homebuilder.

The Company offers funding to Operators in the residential foreclosure market by extending short-term loans, secured by first trust deeds. An investment in one of the Company's sponsored funds creates investor opportunity to participate in the property foreclosure market without the attendant "operator issues" that occur with active property ownership and management.

Investment Vehicles:

Granite Loan Fund, LLC - \$10,000,000 Fund

Suitable for "accredited investors" with a minimum investment of \$100,000
Quarterly investor distributions
Projected annual investor returns of 8.00 % - 11.04% (see attached schedule)
Fund lock-up period of 1 year with investor withdrawals allowed thereafter on a reasonable "funds available" basis
Investment offered through a Private Offering Summary** (see below)
Fund scheduled to operate through December 31, 2015

Customized Single Investor Fund - \$1,000,000 Fund Minimum

Suitable for "accredited investors" with a minimum investment of \$1,000,000
Quarterly investor distributions
Projected annual investor returns of 8.00 % - 11.04% (see attached schedule)

Investment Benefits:

- Excellent alternative to traditional fixed income investments
- Safely participate in the Arizona residential real estate foreclosure market opportunity without "operational headaches"
- Short lending maturity periods (generally 6 months) result in regular turnover of funds and a relatively high degree of liquidity
- Investments solely in first deeds of trust on non-owner occupied residential properties
- Prudent "margin of safety" lending practices
- Historically low borrower default rates
- Seasoned management team

About the Company:

Steeple Rock Funding, LLC is owned and managed by A. Brent Payne and Michael R. Olson. Mr. Payne and Mr. Olson have extensive experience in real estate investment, development, finance and accounting, with solid proven investor results over extended periods of time in a variety of real estate investment activities.

A. Brent Payne

Tel: (480) 633-6800

E-mail: brent@steeplerockfunding.com

Michael R. Olson

Tel: (480) 926-6620

E-mail: mike@steeplerockfunding.com

Steeple Rock Funding, LLC (AZ MB #0913524)

670 E. Encinas Ave.

Gilbert, AZ 85234

**The information provided herein is for informational purposes only. It is not intended to be an offering of securities nor a solicitation to purchase securities. Offers of securities can only be made pursuant to a Private Offering Summary delivered to qualified offerees. Interested parties may contact Company representatives listed above. (October, 2010)

ACC000003

FILE #8219

Steeple Rock Funding, LLC				
Schedule of Projected Investor Returns				
Example #1:				
Assumed Capital Utilization	95.00%	of Available Funds		
Assumed Reserves, Operating Expenses	3.00%	of Gross Income		
Average Borrower Annual Interest Rate	18.00%	17.00%	16.00%	15.00%
Multiply by: Assumed Capital Utilization	95.00%	95.00%	95.00%	95.00%
Actual Gross Interest Income on Available Funds	17.10%	16.15%	15.20%	14.25%
Less: Reserves, Operating Expenses	-0.54%	-0.51%	-0.48%	-0.45%
Annual Distributable Fund Profits	16.56%	15.64%	14.72%	13.80%
Investor Distribution of Fund Profits	66.67%	66.67%	66.67%	66.67%
Annual Investor Profit Distribution - Return on Investment	11.04%	10.43%	9.81%	9.20%
Annual Investor Profit Distribution - \$100,000 Investment	\$11,040	\$10,427	\$9,813	\$9,200
Example #2:				
Assumed Capital Utilization	90.00%	of Available Funds		
Assumed Reserves, Operating Expenses	4.00%	of Gross Income		
Borrower Annual Interest Rate	18.00%	17.00%	16.00%	15.00%
Multiply by: Assumed Capital Utilization	90.00%	90.00%	90.00%	90.00%
Actual Gross Interest Income on Available Funds	16.20%	15.30%	14.40%	13.50%
Less: Reserves, Operating Expenses	-0.72%	-0.68%	-0.64%	-0.60%
Annual Distributable Fund Profits	15.48%	14.62%	13.76%	12.90%
Investor Distribution of Fund Profits	66.67%	66.67%	66.67%	66.67%
Annual Investor Profit Distribution - Return on Investment	10.32%	9.75%	9.17%	8.60%
Annual Investor Profit Distribution - \$100,000 Investment	\$10,320	\$9,747	\$9,173	\$8,600
Example #3				
Assumed Capital Utilization	85.00%	of Available Funds		
Assumed Reserves, Operating Expenses	5.00%	of Gross Income		
Borrower Annual Interest Rate	18.00%	17.00%	16.00%	15.00%
Multiply by: Assumed Capital Utilization	85.00%	85.00%	85.00%	85.00%
Actual Gross Interest Income on Available Funds	15.30%	14.45%	13.60%	12.75%
Less: Reserves, Operating Expenses	-0.90%	-0.85%	-0.80%	-0.75%
Annual Distributable Fund Profits	14.40%	13.60%	12.80%	12.00%
Investor Distribution of Fund Profits	66.67%	66.67%	66.67%	66.67%
Annual Investor Profit Distribution - Return on Investment	9.60%	9.07%	8.53%	8.00%
Annual Investor Profit Distribution - \$100,000 Investment	\$9,600	\$9,067	\$8,533	\$8,000

From: CJ Hansel (cj.hansel@[REDACTED])
To: mikerolson@[REDACTED]
Date: Mon, November 29, 2010 9:20:33 AM
Cc:
Subject: Re: Executive Summary - Steeple Rock Funding, LLC

Thanks for your quick response. You can send those documents to the following address:

CJ Hansel
[REDACTED]
[REDACTED] AZ [REDACTED]

From: Mike Olson <mikerolson@[REDACTED]>
To: cj.hansel@[REDACTED]
Sent: Fri, November 26, 2010 1:16:13 PM
Subject: re: Executive Summary - Steeple Rock Funding, LLC

CJ,

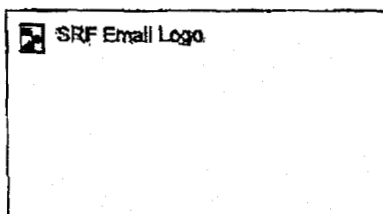
Thanks for your interest in the Granite Loan Fund sponsored by Steeple Rock Funding, LLC. Enclosed is a brief summary outlining our business model and investment rationale. Please provide your mailing address and I will mail to you our complete private placement documents for review.

Regards,

Mike Olson

Office: 480-926-6620
Cell: 480-313-4953

www.SteepleRockFunding.com
AZ Mortgage Broker License #0913524



From: CJ Hansel (cj.hansel@[REDACTED])
To: mikerolson@[REDACTED]
Date: Tue, November 30, 2010 8:35:18 AM
Cc:
Subject: Re: Executive Summary - Steeple Rock Funding, LLC

Mike,

Yes, I do meet those requirements. Looking forward to reviewing the material.

CJ

From: Mike Olson <mikerolson@[REDACTED]>
To: CJ Hansel <cj.hansel@[REDACTED]>
Sent: Mon, November 29, 2010 11:25:37 AM
Subject: RE: Executive Summary - Steeple Rock Funding, LLC

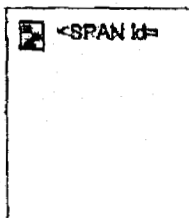
CJ,

I will get it in the mail to you today, however, due to the nature of the offering, I will need to first have you confirm that you meet the requirement of being an "accredited investor". This is generally defined as having a net worth that exceeds \$1 MM, exclusive of home, home furnishings and automobiles, or individual income from all sources in excess of \$200,000 in each of the two most recent years.

Thanks,

Mike Olson

Office: 480-926-6620
Cell: 480-313-4953
www.SteepleRockFunding.com
AZ Mortgage Broker License #0913524



SRF Email Logo" src="cid:1.2056051563@web112320.mail.gq1[REDACTED]" width=209 border=0>

From: CJ Hansel [mailto:cj.hansel@[REDACTED]]
Sent: Monday, November 29, 2010 8:21 AM
To: Mike Olson
Subject: Re: Executive Summary - Steeple Rock Funding, LLC

Thanks for your quick response. You can send those documents to the following address:

CJ Hansel

[REDACTED]
[REDACTED] AZ [REDACTED]

ACC000012
FILE #8219

From: Mike Olson <mikerolson@██████████>
To: cj.hansel@██████████
Sent: Fri, November 26, 2010 1:16:13 PM
Subject: re: Executive Summary - Steeple Rock Funding, LLC

CJ,

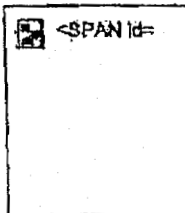
Thanks for your interest in the Granite Loan Fund sponsored by Steeple Rock Funding, LLC. Enclosed is a brief summary outlining our business model and investment rationale. Please provide your mailing address and I will mail to you our complete private placement documents for review.

Regards,

Mike Olson

Office: 480-926-6620
Cell: 480-313-4953

www.SteepleRockFunding.com
AZ Mortgage Broker License #0913524



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border=0>

From: Mike Olson (mikerolson@
To: cj.hansel@
Date: Tue, November 30, 2010 4:15:07 PM
Cc:
Subject: RE: Executive Summary - Steeple Rock Funding, LLC

CJ,

Thanks, the documents went in the mail to you today.

Mike Olson

Office: 480-926-6620
Cell: 480-313-4953
www.SteepleRockFunding.com
AZ Mortgage Broker License #0913524



From: Cj Hansel [mailto:cj.hansel@
Sent: Tuesday, November 30, 2010 8:35 AM
To: Mike Olson
Subject: Re: Executive Summary - Steeple Rock Funding, LLC

Mike,

Yes, I do meet those requirements. Looking forward to reviewing the material.

CJ

From: Mike Olson <mikerolson@
To: Cj Hansel <cj.hansel@
Sent: Mon, November 29, 2010 11:25:37 AM
Subject: RE: Executive Summary - Steeple Rock Funding, LLC

CJ,

I will get it in the mail to you today, however, due to the nature of the offering, I will need to first have you confirm that you meet the requirement of being an "accredited investor". This is generally defined as having a net worth that exceeds \$1 MM, exclusive of home, home furnishings and automobiles, or individual income from all sources in excess of \$200,000 in each of the two most recent years.

Thanks,

Mike Olson

ACC000014
FILE #8219

Office: 480-926-6620
Cell: 480-313-4953
www.SteepleRockFunding.com
AZ Mortgage Broker License #0913524

Error! Filename not specified.SRF Email Logo"
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From: Cj Hansel [mailto:cj.hansel@[REDACTED]]
Sent: Monday, November 29, 2010 9:21 AM
To: Mike Olson
Subject: Re: Executive Summary - Steeple Rock Funding, LLC

Thanks for your quick response. You can send those documents to the following address:

CJ Hansel
[REDACTED]
[REDACTED] AZ [REDACTED]

From: Mike Olson <mikerolson@[REDACTED]>
To: cj.hansel@[REDACTED]
Sent: Fri, November 26, 2010 1:16:13 PM
Subject: re: Executive Summary - Steeple Rock Funding, LLC

CJ,

Thanks for your interest in the Granite Loan Fund sponsored by Steeple Rock Funding, LLC. Enclosed is a brief summary outlining our business model and investment rationale. Please provide your mailing address and I will mail to you our complete private placement documents for review.

Regards,

Mike Olson

Office: 480-926-6620
Cell: 480-313-4953

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AZ Mortgage Broker License #0913524

Error! Filename not specified.SRF Email Logo"
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ACC000015
FILE #5219

12/1/2010



ACC000016
FILE #8219

Michael Olson
LO-0912957

Steeple Rock
FUNDING

Tel: 480-926-6620
Fax: 480-296-0114

Mike@SteepleRockFunding.com
www.SteepleRockFunding.com

670 E. Encinas Ave.
Gilbert, AZ 85234

AZ Mortgage Broker
License# MB-0913524



670 E. Encinas Ave Gilbert, AZ 85234 Tel (480) 926-6620 Fax (602) 296-0114
Arizona M.B. #0913524 www.SteepleRockFunding.com

November 30, 2010

**RE: Private Offering Summary of
Granite Loan Fund, LLC**

Dear Mr. Hansel,

Thank you for your interest in participating in our Secured Short-Term Residential Trust Deed Investment Program through an investment in Granite Loan Fund, LLC. Enclosed you will find the following:

- a. Private Offering Summary of Granite Loan Fund, LLC
- b. Instruction Sheet – for use in completing the enclosed paperwork
- c. Subscription Agreement – 2 copies
- d. Operating Agreement Capital Member Signature Page – 2 copies
- e. Granite Loan Fund brochure

Please complete the Subscription Agreement and Capital Member Signature Page following the instructions provided in the Instruction Sheet, and return the documents to us for processing.

We thank you in advance for considering an investment in Granite Loan Fund, and upon completion of the subscription documents and investment funds, look forward to communicating with you regularly when quarterly distributions from the fund are processed and disbursed.

Best regards,

Michael Olson

Enclosures: Private Offering Summary (with document package)
Granite Loan Fund Brochure

ACC000017
FILE #8219

WHY INVEST IN THE GRANITE LOAN FUND?

- Secured Investments in First Deeds of Trust
- Excellent Alternative to Fixed Income Investments
- Outstanding Investment Returns*
- Quarterly Investor Distributions*
- Reasonable Withdrawal Privileges
- Reduction of (Fixed Income) Interest Rate Risk
- Safe Participation in Residential Foreclosure Market
- Prudent "Margin of Safety" Investing
- Maximum 70% Loan-To-Value
- Significant Borrower Equity Investment Required
- Low Historic Borrower Default Rates
- Seasoned Management Team

* As projected annual investor income distributions of 8.00% - 11.00%



Steeple Rock
FUNDING

**To Obtain Investment
Information
for the Granite Loan Fund, LLC
Please Contact:**

Brent Payne
480-633-6800
Brent@SteepleRockFunding.com

Or

Mike Olson
480-926-6620
Mike@SteepleRockFunding.com

THE INFORMATION PROVIDED WITHIN IS FOR INFORMATIONAL PURPOSES ONLY. IT IS NOT INTENDED TO BE AN OFFERING OF SECURITIES NOR A SOLICITATION TO PURCHASE SECURITIES. OFFERS OF SECURITIES CAN ONLY BE MADE PURSUANT TO A PRIVATE PLACEMENT MEMORANDUM DELIVERED TO QUALIFIED OFFEREEs. INTERESTED PARTIES MAY DIRECT INQUIRIES TO:

Steeple Rock Funding, LLC
570 E Encinas Ave.
Gilbert, AZ 85234
SteepleRockFunding.com

GRANITE LOAN FUND

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FILE #9319

Steeple Rock
FUNDING

INVESTMENT OPPORTUNITY

The Arizona residential market has experienced significant price and sales volume declines, with a dramatic "resetting" of property values.

The high rate of foreclosures has created opportunities for those who purchase foreclosed homes with the intent to rehabilitate and resell (the "Operators").

The "rehabbed home" is in a strong "low cost" competitive market position relative to a "new" home offering by a traditional homebuilder.

Traditional bank financing is generally not available to the Operators - financing is occurring through all equity transactions or equity supplemented by borrowing from private lending sources.

Due to the relatively short-term nature of loans (generally 90-120 days) the Operators are willing and can pay a relatively high rate of interest, while maintaining a good profit margin.

Steeple Rock Funding, LLC offers capital to Operators in the residential foreclosure market by extending short-term loans secured by first deeds of trust.

An investment in the Granite Loan Fund creates the opportunity for investors to participate in the foreclosure market without the "Operator issues" that occur with active property management and ownership.

INVESTMENT SUMMARY

Investment Opportunity	Granite Loan Fund, LLC
Total Raise	\$10 million
Investor Qualifications	"Accredited" as defined in supporting documents (generally \$1MM net worth or \$200,000 annual income past 2 years)
Minimum Investment Amount	\$100,000
Target Return to Investors	8.00% - 11.04%
Period of Fund Operations	Through December 31, 2015
Investor Distributions	Paid Quarterly
Type of Investments	Promissory Notes Secured by First Deeds of Trust on Non-Owner Occupied Properties
Lending Territory	Within the State of Arizona
Term of Loans	Generally 6 months

Loans will be originated and underwritten by Steeple Rock Funding, LLC, Arizona Mortgage Broker License #0913524. Loans will be sold/serviced by Granite Loan Fund, LLC with Steeple Rock Funding, LLC as Managing Member.

GENERAL LENDING PARAMETERS

Lending Parameters

- Non-Owner Occupied Residential Properties
- First Position Deeds of Trust
- Title Status Verified with Condition of Title Report from Reputable Title Company
- 20% of Purchase Price Down Payment
- 70% Maximum Loan-to-Value
- Average Loan Amount \$120,000
- Property Taxes Current
- Evidence of Insurance Prior to Loan Funding

Valuation Parameters

- Detailed Comparable Analysis Using the Arizona Regional Multiple Listing Service, Physical Inspections, and Active Tracking of Foreclosures through Online Resources.
- Comps within 1 Mile Radius
- Sale Comps within 3 Months
- Maximum of 10% REO or Pending Foreclosure in Given Search Area
- Like Property--Bed/Bath/Garage/Pool/Lot size
- Minimum of 5 Active Listings ACC000019
- Minimum of 3 Properties Sold FILE #219
- Disqualify Uniquely High-Priced Homes

GRANITE LOAN FUND, LLC

An Arizona Limited Liability Company

PRIVATE OFFERING SUMMARY

November 1, 2010

\$10,000,000 Equity Offering

400 Membership Interests at \$25,000 per Interest

Sponsored by



Granite Loan Fund, LLC is offering a private offering solely to "Accredited Investors" as defined in Rule 501(a) of the Securities and Exchange Commission Regulations.

These securities have not been approved or disapproved by the Securities and Exchange Commission (SEC) or the Arizona Corporation Commission, nor have such entities passed upon the merits or otherwise approved the offering.

Investors must acquire these interests solely for purposes of investment and the investors may not sell the investment interests unless and until the investment interests are first registered or qualify for exemption from registration under the Federal and State of Arizona securities statutes.

PRIVATE OFFERING SUMMARY
Granite Loan Fund, LLC
An Arizona Limited Liability Company
November 1, 2010

Granite Loan Fund, LLC (the "Company" or the "Fund") is making a private offering by means of this Private Offering Summary (the "Summary" or the "Memorandum") to a small number of sophisticated and Accredited Investors (as defined below) on a private placement basis for the creation of a pool of \$10,000,000 for the purpose of providing short-term loans to qualified borrowers, secured by first deeds of trust on non-owner occupied residential properties located in Arizona (the "Offering"). The Company's investment objective is to provide superior investment returns to its investors, while maintaining a prudent margin of safety through sound lending practices and short maturities on loans extended by the Company.

In the current Phoenix metropolitan housing market environment, the Manager (as defined below) believes a substantial opportunity exists to benefit from the "re-pricing" of housing inventory in the Arizona market. Due to the current lack of available funds from traditional bank sources, the funding of operators who "buy, fix and turn" residential properties is occurring either through all equity transactions or through a combination of equity and borrowings from private lending sources. The Manager believes that due to the relatively short term nature of "buy, fix and turn" activity (usually about 90-120 days from initial purchase date to the date of resale of the home) targeted by the prospective borrowers, the "buy, fix and turn" operators are willing to pay (and can afford to pay) a relatively high rate of interest on borrowed funds to support their activities, while maintaining an acceptable profit margin for their efforts and invested equity capital. The estimate of the duration of the loans is based upon the Manager's own experience and discussions with potential borrowers who have been active in the market. The Company plans to address the "buy, fix and turn" residential real estate market by extending short-term loans, secured by first deeds of trust on non-owner occupied properties purchased and renovated by the Company's loan customers.

Management of the Company will vest exclusively in the Manager, which is Steeple Rock Funding, LLC, an Arizona limited liability company. All holders of an equity interest in the Company shall be members of the Company ("Members"). The powers, duties, and responsibilities of the Manager, and the rights of the Members are set forth in an operating agreement to be executed by the Manager and the Members (the "Operating Agreement", a copy of which is attached as Exhibit "C").

The Manager shall be responsible to locate and select suitably qualified target borrowers, review and underwrite the proposed collateral and to establish and manage loans extended by the Company that meet the lending criteria of the Company. The Company's lending criteria is attached as an exhibit to the Company's Operating

Agreement.

The Company is offering solely to "Accredited Investors" on a "best efforts" basis 400 membership interests ("Membership Interests" or "Interests") at \$25,000 each, for a total equity raise of \$10,000,000. The Offering is by subscription (see Subscription Agreement attached as Exhibit "A") with funds due and payable to the Company upon execution of the Subscription Agreement. Investors who execute a Subscription Agreement and purchase Membership Interests in the Company are hereinafter referred to as "Investor(s)". The minimum investment by a single Investor shall be four (4) Membership Interests, for a total minimum investment of \$100,000 by each Investor in the Company. The Operating Agreement sets forth the terms governing the Membership Interests in the Company.

The Company will operate until December 31, 2015 unless earlier terminated by the terms of the Operating Agreement based upon the Manager's decision that the market for the "buy, fix, and turn" and re-pricing of Arizona residential real estate has completed its cycle. Upon such dissolution, the operations of the Company will be terminated, the Company's assets liquidated and any remaining assets not previously distributed shall be distributed to the Members in accordance with the terms of the Operating Agreement.

The Company has been formed as an Arizona limited liability company, with the intention that it will be taxed as a partnership. The Manager of the Company, Steeple Rock Funding, LLC, is a licensed Arizona mortgage broker, which is owned, operated and managed by A. Brent Payne and Michael R. Olson through Payne Resources, Inc., an Arizona corporation (100% owned by Mr. Payne) and Michael R. Olson PLLC, an Arizona professional limited liability company (100% owned by Mr. Olson). Hereinafter the plural term "Managers" shall refer collectively to Mr. Payne and Mr. Olson, acting on behalf of the Manager of the Company through the entities set forth above. The Managers will have the sole power and authority to use their professional and business experience in the real estate and lending field to analyze and evaluate prospective borrowers and properties on which loans may be extended for the benefit of the Company as determined by the Managers in their discretion. The Operating Agreement of the Company provides the Manager with broad power for such selection and use of its discretion, limited by some of the provisions in the Operating Agreement. Copies of the resumes of A. Brent Payne and Michael R. Olson are attached as Exhibit "B". A copy of the Operating Agreement of the Company is attached as Exhibit "C". A projected Use of Proceeds of the Offering is attached as Exhibit "D".

THE COMPANY IS NEWLY FORMED AND HAS NO FINANCIAL STATEMENTS OR OPERATING HISTORY, BUT IS BEING FORMED TO TAKE ADVANTAGE OF THE "BUY, FIX AND TURN" HOUSING MARKET THAT MAY EXIST UNTIL THE RESIDENTIAL FORECLOSURE CRISES DIMINISHES. MANAGER BELIEVES THE MARKET HAS CREATED A WINDOW FOR A

PERIOD OF A FEW YEARS THAT THE BUSINESS MODEL SET FORTH IN THIS SUMMARY CAN BE SUCCESSFUL.

The Fund is being created because the Managers believe there are opportunities available in the current and future Arizona real estate market for those that have a cash fund or cash pool available for the purpose of providing short-term loans evidenced by a promissory note and secured by a first deed of trust on suitable single family residential properties to individuals and entities that are purchasing residential real property at discounted values, usually through trustees sales or lender-owned property sales. These opportunities come on short notice and require skill and expertise, which the Managers believe they have, to analyze and act upon such opportunities as they become available. The success of this venture to make loans as outlined above depends upon the ability to have the availability of a pool of cash that can be utilized for these purposes with a short term closing, usually the next business day following a potential borrower's successful bid at a public trustee's sale auction. The Managers will use their experience in the real estate, finance and lending field and their contacts with numerous entities and individuals (such as real-estate agents, bidding companies, individuals and entities that are actively purchasing foreclosed properties and other real estate contacts) to establish a flow of prospective borrowers and loans for evaluation and potential action by the Managers, acting in the best interests of the Company. Quarterly reporting will be provided to investors in the Company, outlining key operating data of the Company (such as the number of outstanding loans, dollar amount of such loans, average loan payoff period being experienced, average interest rate being achieved, etc.)

The Managers shall use their expertise in evaluating real properties and prospective borrowers and conducting reasonable due diligence on the properties to serve as security for loans extended by the Company, including title review, valuation data and other standard due diligence items. The target average loan investment on an individual residential property is expected to be approximately \$120,000.

The Investor should be aware that the Company will be in the business of providing first lien real estate loans on single family residences and such business will be subject to normal market risks in the real estate market. The deeds of trust in which the Company will invest are illiquid investments. Repayment of loans extended by the Company will be dependent upon the borrower selling or refinancing the property to repay the principal amount of the loan. Changing market conditions or fluctuations in interest rates could materially affect the performance of the Company. Competition from "buy, fix and turn" operators other than the Company's borrowers, other lenders and the interest rates they charge, and other real estate investors, speculators or developers presence in this market could affect the outcome of the Company's business plan.

Attached hereto as Exhibit "E" is a Schedule of Projected Investor Returns to provide the Investor with a range of potential returns if the program runs successfully and

remains fully invested (85% - 95% of available funds placed in loans that meet the Company's underwriting criteria). Actual returns may vary significantly based upon the risk factors outlined above and the ability of the Manager to locate suitable loans and replace maturing and paid off loans with new loans to keep the Fund portfolio fully invested. During any period of time that all or some of the Company's funds are not placed with loans (the non-invested portion of the Fund portfolio), the non-invested funds will be placed in a money market fund to generate a return, but such money market investment will lower the overall rate of return to the Fund. There can be no guaranty that the Projected Investor Returns can be achieved.

In the event of a borrower default, the Company's sole remedy will be to foreclose on the property and resell the secured property as the loans will be a "purchase money" loan on a single family residence and therefore pursuant to Arizona law, non-recourse to the borrower except in certain limited instances (fraud or intentional waste or intentional destruction of the property). While the Company will require the borrower to pay 20%-25% of the purchase price as an equity down payment upon purchase of the property, in the event of a default, and the lender taking title to the property, the lender will bear the costs of ownership until the property can be resold and there can be no guaranty that the property may be sold for an amount (net of selling costs) in excess of the loan balance. If the borrower files a bankruptcy proceeding, it can delay the foreclosure process and increase costs. As outlined in the business plan, the Company plans to hold back up to 5.00% of the gross interest income of the Company to cover operating expenses and to hold the balance as reserves for funding expenses and costs associated with borrower defaults. While this amount is estimated based upon Manager's business judgment, there can be no assurances that such reserve estimate will be adequate.

The Manager shall receive the following items of compensation in connection with the formation, management and operation of the Company:

(i) At the inception of each loan extended by the Company, the Manager will charge the borrower an origination fee, which is normally a flat dollar figure of \$1,000 - \$1,200 per deed of trust loan. This loan origination fee will be paid directly to Steeple Rock Funding, LLC (Manager) by the borrower under the loan documents in consideration of the services rendered in originating the loan. Steeple Rock Funding, LLC is a mortgage broker licensed by the State of Arizona;

(ii) Manager, who shall also be a Member of the Company (with a capital contribution of \$100), shall receive a distribution of a portion the Annual Distributable Profits of the Company as set forth herein and in the Operating Agreement; and

(iii) reimbursement of the costs of this Offering and start up costs of the Company as set forth on Exhibit "D".

The Operating Agreement provides that the Company shall retain an amount, to be determined by the Manager, of up to 5.00% of the gross interest income received by the Company, as a reserve fund (the "Reserve Fund") to be kept available for the purpose of funding operating expenses of the Company and any costs associated with foreclosure of loans, property taxes, maintenance, insurance etc. in connection with any defaults that may occur on the part of borrowers to whom the Company has extended a loan. Subject to the 5.00% limitation set forth herein and in the Operating Agreement, Manager may adjust the amount of retention of funds into the Company's Reserve Fund based on operating experience and anticipated future needs.

The annual distributable profits of the Company are defined herein and in the Operating Agreement as the gross interest income received by the Company from loans extended by the Company, minus the direct costs and expenses incurred by the Company in connection with its operations, minus the retention of funds into the Company's Reserve Fund described in the preceding paragraph (the "Annual Distributable Profits"). The Annual Distributable Profits shall be distributed 66.67% to the Investors and 33.33% to Steeple Rock Funding, LLC as set forth in the Operating Agreement.

The Operating Agreement will provide that the Annual Distributable Profits of the Company shall be distributed to the Members as follows:

- (a) During the initial four (4) quarters of the Company's operation, each Investor shall receive an interim quarterly distribution (the "Interim Quarterly Distribution") equal to 1.5% of the Investor's total capital investment (or a pro-rata portion thereof in the event of an investment by the Investor during the quarter), payable January 15, April 15, July 15 and October 15.
- (b) For the fifth (5th) and subsequent quarters of the Company's operation, each Investor shall receive an Interim Quarterly Distribution equal to 2.0% of the Investor's total capital investment (or a pro-rata portion thereof in the event of an investment by the Investor during the quarter), payable January 15, April 15, July 15 and October 15.
- (c) Simultaneous with and conditioned upon the Interim Quarterly Distributions having been made to the Investors and further conditioned upon the Company having achieved sufficient profits to provide funds for such distribution during the preceding quarter, Steeple Rock Funding, LLC shall, commencing with the first quarter of operations, receive an Interim Quarterly Distribution equal to 50% of the aggregate Interim Quarterly Distributions paid to the Investors, payable January 15, April 15, July 15, and October 15.

- (d) At the end of each calendar year, an accounting of the Company's income and expenses from operations shall be made. Upon completion of the accounting, the Company shall distribute to the Members of record at the end of the calendar year, an amount equal to the Annual Distributable Profits of the Company, less the amounts previously distributed during the calendar year as Interim Quarterly Distributions as set forth above (the "Annual Final Distribution"). The annual accounting and Annual Final Distribution shall be made to the Investors on or before April 15 of the following year.

It is the intent of the Manager that the life of the Fund be for approximately five (5) years. Accordingly, investment in Membership Interests of the Company is for a period from the date of investment through approximately December 31, 2015. In accordance with the terms of the Operating Agreement, Manager may start winding down the business and make liquidating distributions to the Members in the event Manager determines that the market window for this investment has ended. However, the Investors should plan on the investment being illiquid and no return of capital will take place until the end of the business plan (December 31, 2015). Notwithstanding the foregoing, after December 31, 2011, in the event an Investor wishes to withdraw a portion or all of his or her investment in the Company, the Company will seek to accommodate the early return of investor funds on the following basis:

- (i) All requests will be processed on a first in first out basis.
- (ii) Investor shall provide written notice to the Manager of its request to withdraw funds from the Company.

(iii) Utilizing available funds from the Company's cash balances (recognizing the need to be able to continue to fund loans to maintain an operating business) and funds provided from normal maturities and payoffs of loans (retaining 50% of any such loan payoff for loan reinvestment in accordance with the business plan), Manager shall, on a reasonable efforts basis, disburse funds to the requesting Investor. Any such distribution shall reduce the requesting Investor's capital account.

(iv) Upon an event of early withdrawal of funds, payment of the Interim Quarterly Distribution pertaining to the withdrawn funds shall be pro-rated, based on the period of time the funds were invested.

(v) Upon an event of early withdrawal of funds by an Investor, the Annual Final Distribution pertaining to the funds withdrawn shall be forfeited, and shall become part of the pool of funds to be distributed to those Investors remaining invested in the Fund.

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While the Managers, based upon their experience, observation and study of the Arizona residential real estate market, believe that significant profits can be achieved by methodical selection of loans, borrowers and real property to act as security for loans, there can be no guarantees that the anticipated profits can be achieved.

The Investor should be aware that all investments, including an investment in the Company, carry certain risks. Risk factors associated with this investment including the following:

1. Lack of potential lending opportunities and/or qualified borrowers
2. Failure by the Manager to underwrite and make loan investments in accordance with established criteria and procedures as set forth in the Operating Agreement
3. Inability of borrowers to sell or refinance the real estate securing loans extended by the Company
4. Deterioration of value of underlying collateral real estate securing loans extended by the Company
5. Borrower default rates higher than estimated by the manager is creating the business plan (based on historical data, estimated at less than 1.0% of loans extended)
6. No protection against inflation is offered by this investment
7. Income from an investment in the Company will likely be taxed as "ordinary income" or "interest income". Members should consult their own tax counsel to determine the tax treatment and its suitability for their circumstances.
8. The investment will not be highly liquid.
9. Changing market conditions or interest rates could materially affect the Company and its business plan.
10. There is no market for the Interests and they cannot be resold or assigned without complying with applicable securities laws.

Each investor is provided with this Private Offering Summary. Each investor is invited to ask such questions as it may have to the Managers, who may be contacted at the address and phone number listed in this Private Offering Summary.

The Manager will be a Member of the Company. Additionally, Manager or any affiliate of the Manager may invest on the same basis as other Capital Members, and shall have the same rights as other Capital Members.

It is intended that the Company shall be taxed as a partnership. The Company intends to make distributions of sufficient cash to cover any taxes payable as a result of the Company's operations. As a partnership, taxation of the Company's income is taxed at the partner's level, with each partner allocated a pro rata share of the "partnership

income". Each Investor should consult their own tax advisor.

The Membership Interests in the Company are not transferable, nor is there any market for the Interests. The Interests are not registered under any securities laws of the United States or any state. They are offered only as a private offering to a limited number of sophisticated investors, who are also Accredited Investors. The investment should only be made by an investor with substantial assets that can afford the potential loss and does not need to have a high degree of liquidity in the investment.

To subscribe for Membership Interests, the Investor should complete the attached Subscription Agreement attached as Exhibit "B" and make a check payable for the amount of the investment to: "Granite Loan Fund, LLC"

The Managers are available to answer any questions or provide additional information. The Manager's phone numbers and mailing address is as follows:

A. Brent Payne Tel: 480-633-6800
Michael R. Olson Tel: 480-926-6620

Steeple Rock Funding, LLC
670 E. Encinas Ave.
Gilbert, AZ 85234

The Membership Interests are speculative securities. These securities have not been approved or disapproved by the Securities and Exchange Commission nor has the Commission nor any state agency or the Arizona Corporation Commission passed upon the accuracy or adequacy of this Memorandum. Any representation to the contrary is a criminal offense.

The securities offered by this Memorandum have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and are offered for sale in reliance upon the exemption provided by Section 4(2) of such Act relating to transactions not involving a public offering. Because the securities are not registered under the Securities Act or the securities laws of any state, the Investor must hold them indefinitely unless; (i) they are registered under the Securities Act and any applicable state securities acts; (ii) the Investor obtains an opinion of counsel satisfactory to the Manager of the Company to the effect that registration is not required under the Securities Act and applicable state laws; or (iii) the Manager permits the sale, transfer or other disposition of the securities by the Investor as provided herein. No public market exists for the Membership Interests and the Company does not expect that such a market for resale of the Membership Interests will develop.

The Company is offering the Membership Interests on a "best efforts" basis. The

Company will continue to offer Membership Interests until the full Offering of 400 Membership Interests comprising capital in the amount of \$10,000,000 is completed or until December 31, 2011, whichever shall occur first.

This Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase the Membership Interests in any state or to any person to whom it is unlawful to make such offer or solicitation and does not constitute an offer to sell or solicitation to any member of the general public. The Memorandum constitutes an offer only to the authorized recipient from the Company. This Memorandum has been prepared solely for the benefit of investors interested in the proposed purchase of the Membership Interests offered hereby. Any distribution of this Memorandum to any person other than the recipient (or to those individuals whom he may retain to advise him with respect thereto) is unauthorized, and any reproduction of this Memorandum in whole or in part, or the divulgence of any of its contents without the prior written consent of the Company, is unauthorized and prohibited. The recipient, by accepting delivery of this Memorandum, agrees to return this Memorandum and all documents furnished herewith to the Company or its representatives if the recipient does not purchase any of the Membership Interests offered hereby or if the Offering is withdrawn or terminated.

The delivery of this Memorandum at any time subsequent to the date hereof does not imply that the information contained herein is correct as of the time of delivery. Prospective investors are not to construe the contents of this Memorandum as legal, tax or investment advice. Each investor should consult his or her own counsel, accountant and business advisor as to legal, tax and related matters concerning an investment in the Membership Interests.

No dealer or salesperson has been authorized to give any information or make any representations or warranties, either express or implied, other than those which may be contained in this Memorandum or other documents included herein or in written supplements to this Memorandum and, if given or made, such information, representations and warranties must not be relied upon by any potential investor.

During the course of the Offering and prior to sale, each prospective investor and his or her purchaser representative(s), if any, are invited to ask questions of and obtain additional information from the Company concerning the terms and conditions of the Offering, the Company, its Affiliates, and any other relevant matters, including, but not limited to, additional information to verify the accuracy of the information set forth in the Memorandum. The Company will provide such information to the extent it possesses or can acquire such information without unreasonable effort or expense. Answers to questions and additional information may be given only by the Company and its duly authorized representatives. Information, representations or warranties received from any other person or in any other manner must not be relied upon as having been authorized by the Company.

The Membership Interests are offered by the Company subject to receipt and acceptance of subscriptions, the right to reject any subscription in whole or in part or withdraw, cancel or modify the Offering without notice to potential investors, and to certain other conditions as set forth in the Memorandum.

WHO MAY INVEST

The Membership Interests are being offered through this Memorandum without registration under the Securities Act pursuant to the exemption from the registration requirements of such Act provided by Section 4(2) thereof and Rule 506 of Regulation D promulgated thereunder ("Rule 506"). Rule 506 restricts the number and nature of purchasers of securities offered pursuant thereto.

Nature of Purchasers

In order for the Company to qualify this Offering as a Rule 506 offering, the Company will sell Membership Interests only to those investors who are "Accredited Investors," as such term is defined in Rule 501(a) of Regulation D, in the sole discretion of the Company.

Accredited Investors are those investors who meet at least one of the following standards or others set forth in Rule 501(a) of Regulation D, which are described in more detail in the Subscription Agreement which is attached as Exhibit "A":

(a) **\$1,000,000 Net Worth.** The investor is a natural person and his or her net worth, either individually or jointly with his or her spouse, exceeds \$1,000,000, exclusive of home, home furnishings and automobiles;

(b) **\$200,000 Income.** The investor is a natural person who has had individual income from all sources (without including any income of his or her spouse unless such spouse is a co-purchaser) in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same level of income in the current year;

(c) **Partnership, Corporate or other Entity Investors.** In general, a partnership, corporation, revocable or grantor trust or unincorporated association is deemed to be an Accredited Investor if all of the equity owners of that entity (or in the case of a revocable or grantor trust, all persons with the power to revoke the trust) qualify as Accredited Investors under subparagraph (a) or (b) above; and

(d) **Trust or Employee Benefit Plan Investors.** In general, a qualified employee benefit plan or trust will qualify as an Accredited Investor if (i) the entity is an

employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, and the investment decision is made by a Plan fiduciary, as defined in Section 3(21) of such Act which is a bank, savings and loan association, insurance company or registered investment advisor, or (ii) the entity is a qualified profit sharing or defined contribution Plan, the Plan provides for segregated accounts for each Plan participant, the governing documents of the Plan provide that each participant may direct the trustee to invest his or her funds in the investment vehicles of his or her choice and the purchase of Membership Interests is made pursuant to an exercise by the Plan participant, who is an Accredited Investor under Subparagraph (a) or (b) above, of such power to direct the investments of his or her segregated account; or (iii) it is a revocable trust and each Person with the power to revoke the trust qualifies as an Accredited Investor under subparagraph (a) or (b) above. Any pension plan, employee benefit plan or IRA investor should check with their plan tax advisors prior to investing regarding the taxation of this investment.

General Suitability Standards

Membership Interests will be sold, at the discretion of the Company, only to a person (i) who purchases at least four (4) Membership Interests, unless the Company, in its sole discretion, permits the purchase of fewer than four (4) Membership Interests and (ii) who represents in writing that he qualifies as an Accredited Investor.

A breach by an Investor of any of his or her representations made to the Company which results in a loss by the Company of the registration exemption provided by Regulation D or other exemption will cause such investor to be liable to the Company for all damages and to losses proximately caused thereby.

The basis for establishing the foregoing standards include the relative lack of liquidity of the Membership Interests, the risks inherent in an investment in the Membership Interests and possible adverse tax consequences of a premature sale of any Membership Interests. The foregoing standards represent minimum requirements for a prospective purchaser and the Company reserves the right to reject any subscription notwithstanding compliance with these standards or to apply more stringent suitability standards. Membership Interests may also be sold to corporations, partnerships, employee benefit plans trusts and other entities meeting the foregoing requirements.

(i) "Individual income" means adjusted gross income, as reported for Federal Income Tax purposes, less any income attributable to a spouse or to property owned by a spouse, increased by the following amounts (but not including any amounts attributable to a spouse or to property owned by a spouse unless such spouse is a co-purchaser) : (i) contributions to a profit sharing or defined benefit plan made on behalf of the individual, to the extent of his or her vested interest under the plans, (ii) the amount of any interest

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income received which is tax-exempt under Section 103 of the Internal Revenue Code (the "Code"),

(ii) (iii) the amount of losses claimed as a limited partner in a limited partnership (as reported on Schedule E of Form 1040) and (iv) any deduction claimed for depletion under Section 611 *et seq.* of the Code.

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GRANITE LOAN FUND, LLC
Private Offering Summary
November 1, 2010

SCHEDULE OF EXHIBITS

Exhibit "A"	Subscription Agreement
Exhibit "B"	Biographies of A. Brent Payne and Michael R. Olson
Exhibit "C"	Operating Agreement of Granite Loan Fund, LLC
Exhibit "D"	Use of Proceeds
Exhibit "E"	Projected Investor Returns

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Exhibit "A"

**Granite Loan Fund, LLC
An Arizona Limited Liability Company**

**SUBSCRIPTION AGREEMENT FOR MEMBERSHIP INTERESTS
AND
SPECIAL LIMITED POWER OF ATTORNEY**

Granite Loan Fund, LLC, an Arizona limited liability company (the "Company"), of which Steeple Rock Funding, LLC is the Manager (referred to hereinafter as the "Manager") is to be operated in accordance with the Operating Agreement of Granite Loan Fund, LLC (the "Operating Agreement") included as Exhibit "A" in the Private Offering Summary dated November 1, 2010 (the "Memorandum"), furnished to the undersigned herewith, has been formed to make secured loans on residential non-owner occupied real property located in Arizona as selected by the Managers, as described in the Memorandum, and is offering 400 Membership Interests of \$25,000 each as described in the Memorandum, for purposes of raising a fund to invest in secured loans as more fully described in the Memorandum.

1. Subscription. Subject to the terms and conditions hereof and the provisions of the Operating Agreement, the undersigned hereby irrevocably tenders this Subscription Agreement for the purchase of _____ Membership Interests, together with the payment in cash or by check of \$ _____ (\$25,000 per Membership Interest). Tender of the above-mentioned funds, this Agreement, and other required subscription documents (the "Subscription Documents") shall be made by delivery of same to the Manager, 670 E. Encinas Avenue, Gilbert, Arizona, 85234. The check should be made payable to Granite Loan Fund, LLC. The funds, plus any interest earned thereon, this Agreement and the Subscription Documents will be held for the benefit of the undersigned by the Manager and will be promptly returned to the undersigned if the Manager elects not to proceed with the Offering.

2. Adoption of Operating Agreement. The undersigned acknowledges receipt of the Memorandum and the Operating Agreement which is attached to the Memorandum as Exhibit "A", and the undersigned specifically accepts and adopts each and every provision of the Operating Agreement.

3. Right of Manager to Reject Subscription. The undersigned acknowledges that the Manager shall have the absolute right to accept or reject this subscription.

4. Representations and Warranties. The undersigned hereby makes the following representations and warranties to the Manager and the Company:

(a) I have sufficient liquid assets to pay the amount due for the

Membership Interests to which I am subscribing under the Subscription Agreement.

(b) (i) I have adequate means of providing for my current needs and possible personal contingencies, and I have no need for liquidity with regard to my investment in the Company; and (ii) I have a net worth sufficient to bear the risk of losing my entire investment in the Company; and (iii) I have a net worth (exclusive of home, furnishings, and automobiles) of at least \$1,000,000 or had income for the two previous tax years of at least \$200,000 per year or if the subscriber is an entity (corporation, limited liability company or partnership) such entity has in excess of \$5,000,000 in assets and was not formed for the purpose of this investment; and (iv) I can bear the risk of losing my entire investment in the Company; and (v) I have, alone or together with my Purchaser Representative (as hereinafter defined), such knowledge and experience in financial and business matters that I am capable of evaluating the relative risks and merits of this investment; and (vi) I do not have an overall commitment to non-readily marketable investments which is disproportionate to my net worth and the investment subscribed for herein will not cause such overall commitment to become excessive.

(c) The address set forth below is my true and correct residence, and I have no present intention of becoming a resident of any other state or jurisdiction.

(d) I have received and read and am familiar with the Operating Agreement, the Memorandum, and this Subscription Agreement, and I confirm that all documents, records and books pertaining to the Company and requested by me have been made available to me.

(e) The undersigned has had an opportunity to ask questions of and receive answers from the Managers, or a person or persons acting on its behalf, concerning the terms and conditions of this investment.

(f) I understand that the Membership Interests have not been registered under the Securities Act of 1933 or, with certain exceptions, any state securities acts, in reliance on one or more exemptions from registration under the Securities Act of 1933 or under such state acts, and I further understand that I am purchasing an Interest in the Company without being furnished any offering literature or prospectus other than the Memorandum and promotional and sales literature prepared by the Company as described in the Memorandum.

(g) The Membership Interests for which I hereby subscribe are being acquired solely for my own account, for investment and are not being purchased with a view to or for the resale, distribution, subdivision or fractionalization thereof; I have no present plans to enter into any such contract, undertaking, agreement or arrangement. In order to induce the Company to issue and sell the Membership Interests subscribed for hereby to me, it is agreed that the Company will have no obligation to recognize the ownership, beneficial or otherwise, of such Membership Interests by anyone but me.

ACC000035
FILE #8219

(h) I have received, completed and returned to the Manager the Purchaser Questionnaire relating to my general ability to bear the risks of an investment in the Company and my suitability as an investor, and I hereby affirm the correctness of my answers in such Questionnaire.

(i) I acknowledge and am aware of the following:

(i) That the Company has no financial or operating history; that this is the Company's first venture and the Interests are speculative investments which involve a high degree of risk of loss by me of my entire investment in the Company.

(ii) There are substantial restrictions on the transferability of the Membership Interests; the Membership Interests will not be, and investors in the Company have no rights to require that the Membership Interests be registered under the Securities Act of 1933; there will be no public market for the Membership Interests; I will not be able to avail myself of the provisions of Rule 144 adopted by the Securities and Exchange Commission under the Securities Act of 1933 with respect to the resale of the Membership Interests; and accordingly, I may have to hold the Membership Interests indefinitely and that it may not be possible for me to liquidate my investment in the Company.

(iii) THE TAX EFFECTS WHICH MAY BE EXPECTED BY THE COMPANY ARE NOT SUSCEPTIBLE TO ABSOLUTE PREDICTION, AND NEW DEVELOPMENTS IN RULINGS OF THE INTERNAL REVENUE SERVICE, AUDIT ADJUSTMENTS, COURT DECISIONS OR LEGISLATIVE CHANGES MAY HAVE AN ADVERSE EFFECT ON ONE OR MORE OF THE TAX CONSEQUENCES SOUGHT BY THE COMPANY TO BE TAXED.

(iv) That I have been advised that the following person will receive from the Company compensation as a broker or finder in connection with my purchase of Membership Interests (if NONE, so indicate): _____

(initial)

(v) That it never has been represented, guaranteed or warranted to me by any broker, the Manager, its agents, or employees or any other person, expressly or by implication, any of the following:

(A) The exact length of time that I will be required to remain as owner of my Membership Interests.

ACC000036

FILE #6219

(B) THE PERCENTAGE OF PROFIT AND/OR AMOUNT OF OR TYPE OF CONSIDERATION, PROFIT OR LOSS (INCLUDING TAX WRITE-OFFS AND/OR TAX BENEFITS) TO BE REALIZED, IF ANY, AS A RESULT OF THIS VENTURE.

(C) That the past performance or experience of the Manager or any Affiliate, or of any other person, will in any way indicate the predictable results of the ownership of Membership Interests or of the overall Company venture.

(j) I am a resident of the State of _____ if applicable; I hereby acknowledge the matters set out on Exhibit 1 attached hereto and incorporated by this reference. (Please indicate acknowledgment of the foregoing by initialing in the space provided.

_____ (initial)

The foregoing representations and warranties are true and accurate as of the date hereof and shall be true and accurate as of the date of delivery of the funds to the Company and shall survive such delivery. If in any respect such representations and warranties shall not be true and accurate prior to delivery of the funds, I shall give written notice of such fact to the Manager and to my Purchaser Representative, if any, specifying which representations and warranties are not true and accurate and the reasons therefore.

5. Indemnification. I acknowledge that I understand the meaning and legal consequences of the representations and warranties contained in Section 4 hereof, and I hereby agree to indemnify and hold harmless the Company, each Member thereof, and the Manager, from and against any and all loss, damage or liability due to or arising out of a breach of any representation or warranty made by me in this instrument.

6. Title. I desire to take title to my Membership Interests as follows:

_____ (a) Individually, as a single person

_____ (b) Husband and Wife, as community property

_____ (c) Joint tenants

_____ (d) Tenants in common

_____ (e) Separate property

_____ (f) As custodian of _____

under the Uniform Gifts to Minors Act

_____ (g) Other, e.g. corporate, partnership, custodian, trustee, etc.

Indicate exact name and present address:

_____ I wish to receive periodic updates from the Fund by e-mail at the following e-mail address: _____

7. Special and Limited Power of Attorney.

(a) The undersigned hereby constitutes and appoints A. Brent Payne and Michael R. Olson, or either of them acting individually, in writing, the undersigned's true and lawful agent and attorney-in-fact (with full power in such attorney to substitute another attorney in such attorney's place and to revoke such substitution), to make, execute, swear to and acknowledge, amend, file, record, deliver and publish in the undersigned's name, place and stead in any manner which he could do if personally present to the extent permitted by law any one or more of the following:

(i) An Operating Agreement substantially in form of Exhibit A to the Memorandum as well as amendments thereto, under the laws of Arizona and any other state in which a certificate is required to be filed.

(ii) Any and all instruments or documents (A) that may be appropriate to reflect (1) a change in the name or the location of the principal place of business of the Company, (2) the disposition by a Member of an interest in the Company or any part thereof, (3) the substitution or addition of a person becoming a Member of the Company, (4) a distribution and reduction in the capital contribution of a Member, (5) a change in the capital of the Company, (6) the admission of new Members in accordance with Sections 6.1 and 6.2 of the Operating Agreement; and (B) any and all amendments thereto or modifications or restatements thereof.

(iii) All certificates and other instruments necessary to qualify or continue the Company as a limited liability company in the jurisdictions where the Company may be doing business, including, but not limited to, any fictitious or assumed name certificate required or permitted to be filed by or on behalf of the Company.

(iv) Any other instrument which is now or which may hereafter be required by law to be filed for or on behalf of the Company.

(v) All documents and instruments which may be required to effect the dissolution and termination of the Company in accordance with the provisions of the Operating Agreement.

(vi) All such other documents or instruments, including, but not limited to, instruments of conveyance of any Company property or interest therein, which the Manager deems necessary or appropriate in the conduct of the Company's business.

(b) The power of attorney concurrently granted by each Member to A. Brent Payne and Michael R. Olson, or either of them acting individually:

(i) Is a special power of attorney coupled with an interest, and is irrevocable and shall survive the death, legal incapacity, bankruptcy, insolvency or dissolution of the undersigned to the extent that the undersigned may legally contract for such survival;

(ii) May be exercised by a facsimile signature of A. Brent Payne or Michael R. Olson, or by listing the undersigned and all other Members for whom action is being taken pursuant to like power of attorney next to the single signature of A. Brent Payne or Michael R. Olson on an exhibit to any document executed by A. Brent Payne or Michael R. Olson pursuant hereto;

(iii) Shall survive the delivery of an assignment by a Member of the whole or any portion of his or her Membership Interest; except that where the assignee thereof has been approved by the Managers for admission to the Company as a substituted Member, the power of attorney shall survive the delivery of such assignment for the sole purpose of enabling A. Brent Payne or Michael R. Olson to execute, acknowledge and file any instrument necessary to effect such substitution.

This special power of attorney does not supersede any part of the Operating Agreement nor is it to be used to deprive the undersigned of any of his or her rights. It is intended only to provide a simplified system for execution of documents. If required, the undersigned shall execute and deliver to the Manager, within five days after the receipt of a request therefor, such additional designations, powers of attorney or other instruments as the Manager shall reasonably deem necessary for the purposes of this provision.

8. No Waiver. Notwithstanding any of the representations, warranties, acknowledgments or agreements made herein by the undersigned, the undersigned does not hereby or in any other manner waive any rights granted to him under the federal or state securities laws.

9. Transferability. The undersigned shall not transfer or assign this Agreement or any of his or her interests herein, and shall assign or transfer the Interests acquired

hereto only in accordance with the Operating Agreement.

10. Revocation. The undersigned shall not cancel, terminate or revoke this Agreement or any agreement of the undersigned made hereunder. This Agreement shall survive the death or disability of the undersigned except as provided below.

11. Termination. If the Manager elects, in its sole discretion, not to complete the Offering, then this Agreement shall be null and void and of no further force and effect and no party shall have any rights against any other party hereunder or under the Operating Agreement; and the Manager as Escrow Agent shall promptly return to the undersigned the funds, the Subscription Documents, and this Agreement.

12. Miscellaneous.

(a) All notices or other communications given or made hereunder shall be in writing and shall be delivered or mailed by registered or certified mail, return receipt requested, postage prepaid, to the Manager, Steeple Rock Funding, LLC, 670 E. Encinas Avenue, Gilbert, Arizona, 85234.

(b) Notwithstanding the place where this Agreement is executed by any of the parties hereto, the parties expressly agree that all of the terms and provisions hereof shall be construed in accordance with and governed by the laws of the State of Arizona.

(c) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and may be amended only by a writing executed by all parties hereto.

ALL SIGNATURES APPEAR ON THE FOLLOWING PAGE

ACC000040

FILE #8219

Granite Loan Fund
Subscription Agreement

SUBSCRIBER:

Dated: _____

Signature of Subscriber

Dated: _____

Signature of Subscriber

(see next page for subscriber information)

ACCEPTED ON BEHALF OF COMPANY BY:

Dated: _____

By _____

Signature on behalf of Manager

Printed Name

All checks should be made payable to:

Granite Loan Fund, LLC
670 E. Encinas Avenue
Gilbert, AZ 85234

ACC000041
FILE #8219

Granite Loan Fund, LLC
Subscription Agreement

Please print or type:

Subscriber's Name(s):

Principal Residence/Business Address:

(Number and Street)

(City)

(State) (Zip Code)

Social Security/Tax ID Number(s):

Name(s) and Address(es)
of Purchaser Representative(s), if any:

ACC000042
FILE #8219

GENERAL ACKNOWLEDGMENT

(for use by all individual subscribers)

STATE OF _____)
) ss.
COUNTY of _____)

On this _____ day of _____, 20____, before me, a notary public in and for the foregoing jurisdiction, personally appeared _____ who reside(s) at _____ to me known and known to me to be the person(s) who executed the foregoing instrument, and he (they) acknowledged to me that the same was executed by him (them) individually, that the statements made therein are true to the best of his or her (their) knowledge, information and belief, and that such execution constitutes his or her (their) own free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day, month and year first above written.

Notary Public

My Commission Expires:

ACC000043
FILE #8218

ENTITY ACKNOWLEDGMENT

STATE OF _____)
)ss.
COUNTY of _____)

On this _____ day of _____, 20____, before me, a notary public in and for the foregoing jurisdiction, personally appeared _____, who reside(s) at _____ to me known and known to me to be the person(s) who executed the foregoing instrument, and known by me to be the _____ of _____, a _____, and he or she acknowledged to me that the same was executed by him or her in such capacity pursuant to authority, given by the appropriate authority of such entity, that the statements made therein are true to the best of his or her knowledge, information and belief, and that such execution constitutes his or her own free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day, month and year first above written.

Notary Public

My Commission Expires:

ACC000044
FILE #8219

Exhibit "B"

**Granite Loan Fund, LLC
An Arizona Limited Liability Company**

**Professional Biography of
A. Brent Payne**

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FILE #8219**

Exhibit "B"

Granite Loan Fund, LLC
An Arizona Limited Liability Company

Professional Biography of
Michael R. Olson

9

ACC000046
FILE #8219

Exhibit "C"

**Granite Loan Fund, LLC
An Arizona Limited Liability Company**

Operating Agreement

THE INTERESTS EVIDENCED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE LAWS OF THE STATE OF ARIZONA OR OTHER STATES. THE INTERESTS MAY NOT BE SOLD OR OFFERED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE INTERESTS UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND SUCH STATE LAWS AS MAY BE APPLICABLE, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED. ADDITIONAL RESTRICTIONS ON TRANSFER OF THE INTERESTS ARE SET FORTH IN THIS AGREEMENT.

**OPERATING AGREEMENT OF
GRANITE LOAN FUND, LLC
an Arizona limited liability company**

This Operating Agreement (the "Agreement") is made and entered into as of November 1, 2010 by and among the parties identified on Exhibit A hereto (individually, a "Member," and collectively, the "Members").

Articles of Organization have been filed with the Arizona Corporation Commission to create a limited liability company to engage in business as Granite Loan Fund, LLC, an Arizona limited liability company (the "Company"). The Members desire to organize the Company under the Arizona Limited Liability Company Act (the "Act") and agree as follows:

ARTICLE 1. FORMATION, NAME, PURPOSE AND DEFINITIONS

1.1 Formation. Pursuant to the Act, an Arizona limited liability company has been formed effective upon the filing of the Articles of Organization of the Company with the Arizona Corporation Commission. The Members shall perform all filing, publication and other acts as are necessary or appropriate to complete formation and permit operation of the Company under the Act.

1.2 Intent. It is the Members' intent that the Company be operated in a manner consistent with its treatment as a "partnership" for federal and state income tax purposes. The Tax Matters Partner (as defined in Section 4.7) is authorized to make the election to

be so treated by federal and state tax authorities, by filing I.R.S. Form 8832 or otherwise, if he deems such action necessary or advisable. It is also the Members' intent that the Company not be operated or treated as a "partnership" for purposes of Section 303 of the United States Bankruptcy Code. No Member shall take any action inconsistent with this Section 1.2.

1.3 Name. The name of the Company shall be "Granite Loan Fund, LLC".

1.4 Purpose. The purpose of the Company shall be to (a) invest in loans secured by first deeds of trust on residential properties in the state of Arizona, and (b) engage in any other lawful business as may be approved in writing by all the Members. The purpose and business of the Company and the operating policies and procedures of the Company are set forth in Exhibit "B" attached hereto.

1.5 Registered Office and Place of Business. The Company's registered office shall be in Maricopa County, Arizona or such other place as the Manager shall determine in its sole discretion. The Company may also have such other offices, anywhere within or without the State of Arizona, as the Members may determine from time to time, or the business of the Company may require.

1.6 Term. The existence of the Company shall commence upon the filing of its Articles of Organization with the Arizona Corporation Commission and shall continue until such time as it shall be terminated under the provisions of Article 8.

1.7 Members. The names and addresses of the Members of the Company are as set forth on Exhibit A attached hereto and incorporated herein. The Authorized Agent of each entity Member is also listed on said Exhibit "A".

1.8 Agent for Service of Process. The name and address of the agent for service of process for the Company is Steeple Rock Funding, LLC, 670 E. Encinas Avenue, Gilbert, Arizona 85234, or such other person as the Members may appoint from time to time.

1.9 Definitions. In addition to the terms defined elsewhere herein, the following terms shall have the meanings assigned to them, unless the context otherwise requires:

a. "Agreement" means this Operating Agreement as hereafter amended or modified in writing with the consent of all the Members.

b. "Annual Distributable Profits" means the interest income generated from the loan activities or money market investments of the Company less the amounts to be held in reserve as set forth in Section 1.9(r) of this Agreement. The Annual Distributable Profits of the Company shall be distributed to the Members in a series of Interim Quarterly Distributions each April 15, July 15, October 15 and January 15 together with a Final Annual Distribution, all as set forth in Section 5.2 of this Agreement.

c. "Authorized Agent" shall mean that individual designated and thereby authorized by an entity Member to exercise, on such entity Member's behalf, any and all voting and other management rights of such entity Member in the Company.

d. "Capital Account" means the account established and maintained for each Member in accordance with this Agreement and capital accounting rules of applicable Treasury Regulations.

e. "Capital Contribution" means any contribution to the capital of the Company in cash, property or services by a Member whenever made. "Initial Capital Contribution" shall mean the initial contributions to the capital of the Company made pursuant to Section 2.1 hereof. "Additional Capital Contributions" shall mean any contributions made pursuant to Section 2.2 of this Agreement.

f. "Capital Member" means a Member who has invested in the Company and contributed capital pursuant to the Private Offering Summary dated November 1, 2010.

g. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

h. "Distributable Proceeds" means all cash, revenues and funds received from Company operations, less the sum of the following to the extent paid or set aside by the Members:

- i. all principal and interest (including contingent interest) payments on indebtedness of the Company and all other sums paid to lenders;
- ii. all cash expenditures incurred incident to the normal operation of the Company's business (including expenditures contemplated by Section 2.8); and
- iii. all Reserves.

i. "Fiscal Year" means the Company's fiscal year, which shall be the calendar year.

j. "Losses" means, for each Fiscal Year, the losses and deductions of the Company determined in accordance with accounting principles consistently applied from year to year under the cash basis method of accounting and as reported, separately or in the aggregate (as appropriate), on the Company's information tax return filed for federal income tax purposes, plus any expenditures described in Section 705(a)(2)(B) of the Code.

k. "Member" means each party who executes a counterpart of this Agreement as a Member and each party who may hereafter become an additional or substituted Member.

l. "Membership Interest(s)" means an equity interest in the Company owned by a Member. The term "Interest" is used interchangeably with "Membership Interest" in this Agreement.

m. "Offering" means the offer of the Company to sell Membership Interests in the Company under the terms of the Private Offering Summary.

n. "Percentage Interest" means the percentage interests in the Profits and Losses of the Company as set forth on Exhibit A hereto.

o. "Person" means any corporation, limited liability company, natural person, firm, joint venture, partnership, trust, unincorporated organization, government or any department or agency thereof, and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

p. "Private Offering Summary" means the Private Offering Summary of Granite Loan Fund, LLC, an Arizona limited liability company, dated November 1, 2010 by which the Company is offering to sell Membership Interests in the Company.

q. "Profits" means, for each Fiscal Year, the income and gains of the Company determined in accordance with accounting principles consistently applied from year to year under the cash basis method of accounting and as reported, separately or in the aggregate (as appropriate), on the Company's information tax return filed for federal income tax purposes, plus any income described in Section 705(a)(1)(B) of the Code.

r. "Reserves" means, with respect to any fiscal period, funds set aside by the Manager to cover (i) the normal operating expenses of the Company and (ii) any costs associated with foreclosure of loans, property taxes, maintenance, insurance etc. in connection with any defaults that may occur on the part of borrowers to whom the Company has extended a loan. Manager may reserve an amount of up to five percent (5.00%) of the gross interest income received by the Company to fund the Reserve fund, and may adjust the amount so reserved from time to time based on experience of the Company and Manager's professional assessment of funds likely to be needed for the above purposes.

s. "Treasury Regulations" means the regulations issued under the Code by the United States Department of the Treasury.

t. "Withdrawal Event" means those events and circumstances listed in Section 29-733 of the Act.

ACC000050
FILE #6219

ARTICLE 2. CAPITALIZATION OF THE COMPANY

2.1 Initial Capital Contributions. The original capital of the Company shall consist of that certain cash, other property (or use thereof), services rendered or other valuable consideration contributed to the Company by the Members as set forth on Exhibit A attached hereto and incorporated herein. The Company intends to offer for sale, sell and issue 400 Membership Interests in the Company to Capital Members pursuant to the Private Offering Summary for a purchase price of \$25,000.00 per Interest (the "Interest Price"), for a total capital raise of \$10,000,000.00 (the "Offering Amount") in Interests and to admit persons who purchase the same as Members holding Interests subject to the provisions of this Agreement. The Company may sell, pursuant to the Private Offering Summary, through December 31, 2011.

2.2 Additional Capital Contributions. Each Member agrees to pay in proportion to the Original Capital Contributions its proportionate share of any Additional Capital Contributions approved in writing by all the Members.

2.3 Capital Accounts. An individual Capital Account shall be maintained on the books of the Company for each Member.

2.4 Interest on and Return of Capital Contributions. No Member shall be entitled to interest on such Member's Capital Contributions or to the return of such Member's Capital Contribution, except as otherwise specifically provided by this Agreement.

2.5 Priority and Return of Capital. No Member shall have priority over any other Member, either as to the return of Capital Contributions or as to distributions in the nature of a return of capital to Members, except as provided in Section 2.6 below.

2.6 Withdrawal of Capital. No withdrawals of Capital will be permitted until December 31, 2011. After that date, if a Capital Member wishes to withdraw a portion or all of his investment in the Company, the Company will seek to accommodate the early return of a Capital Member's Capital Account on the following basis:

a. All requests will be processed on a first in first out basis.

b. The Capital Member shall provide written request to the Manager of its request to withdraw funds from the Company. The request shall be for not less than 10% of such Capital Member's Capital Account. Withdrawal requests under this section may be submitted to Manager not more than 2 times during each calendar year by a Capital Member.

c. Utilizing available funds from the Company's cash balances (recognizing the needs to be able to continue to fund loans to maintain a continuing business) and funds provided from future maturities of loans (retaining 50% of any such loan maturity payoff for loan reinvestment in accordance with the Company's business plan). Manager shall, on a reasonable efforts basis,

ACC000051

disburse funds to the requesting Capital Member. Any such distribution shall reduce the requesting Capital Member's Capital Account.

d. Upon an event of early withdrawal of funds by a Capital Member under this section, payment of the Interim Quarterly Distribution (set forth in Section 5.2 of this Agreement) pertaining to the withdrawn funds shall be pro-rated based on the period of time the withdrawn funds were invested.

e. Upon an event of early withdrawal of funds by a Capital Member under this section, the Annual Final Distribution pertaining to the withdrawn funds shall be forfeited and shall become part of the pool of funds to be distributed to the remaining Members.

2.7 Compensation For Services. No compensation shall be payable to any Member except as set forth herein or as otherwise approved in writing by all of the Members. The Members acknowledge that the Manager may receive compensation for services directly from third-parties in connection with transactions involving the Company including loan origination fees in connection with loans made by the Company to such third-parties as set forth in Section 3.8 of this Agreement.

2.8 Third Party Benefits. Notwithstanding anything herein to the contrary, no creditor or other party shall be deemed a third party beneficiary of any obligation of any or all of the Members to contribute capital to the Company under this Agreement.

ARTICLE 3. MANAGEMENT

3.1 Management by Manager. Management of the Company shall be by a manager (the "Manager") appointed by unanimous consent of the Members. The Members hereby appoint Steeple Rock Funding, LLC to act as the Company's initial Manager. The Manager shall direct, manage and control the business of the Company to the best of its ability and shall have full and complete authority, power and discretion to make any and all decisions and to do any and all things which they shall deem to be reasonably required to accomplish the business and objectives of the Company, subject to the policies and procedures set forth in Exhibit "B" attached hereto and made a part hereof by reference.

3.2 Rights, Powers & Authority of the Manager. The Manager may act on behalf of the Company and execute documents which bind the Company, subject only to the limitations set forth in this Agreement.

3.3 Manager Have No Exclusive Duty to Company. The Manager shall devote such time and effort to its duties as may be necessary to promote adequately the business of the Company; provided, however, that it is specifically understood that the Manager shall not be required to devote its entire time to the Company's business, and any Manager or Member may at any time and from time to time engage in and possess

ACC000052

FILE #8219

interests in other business ventures of any and every type and description, including without limitation, the ownership, operation, and management of Steeple Rock Funding, LLC and related entities (which may be in competition with the Company), independently or with others, and neither the Company nor any Member shall by virtue of this Agreement have any right, title, interest, or claim in or to such independent ventures; provided, however, no Manager or Member shall be authorized or allowed to compete with the Company in a manner that would be harmful to the Company.

3.4 Bank Accounts. The Manager may from time to time open bank accounts in the name of the Company, and Manager may designate signatories on such bank accounts.

3.5 Indemnity of the Members. The Manager shall be indemnified by the Company to the fullest extent permitted by applicable law.

3.6 Resignation; Removal. The Manager may resign at any time by providing 15 day prior written notice to the Members. Upon such resignation, a new Manager shall be elected by a majority in interest of the Capital Members. The Manager may be removed at any time, without cause, by the unanimous vote of the Capital Members and, with cause, by the vote of those Members owning greater than 50% of the Percentage Interests. Such removal shall not affect a Manager's other rights and liabilities as a Member. For purposes of this Agreement, "cause" shall mean:

a. Conduct by the Manager that subjects the Company to liability for the Manager's actions or that damages the reputation or business of the Company, which conduct continues to exist after written notice to the Manager and expiration of a thirty (30) day period to cure such conduct; or

b. Conduct which is in violation of any material provision of this Agreement, which conduct continues to exist after written notice to the Manager and expiration of a thirty (30) day period to cure such conduct.

3.7 Exculpation and Indemnity of Manager. The Manager shall not be required to devote all of its time or business efforts to the affairs of the Company but shall devote so much of its time and attention to the Company as is necessary and advisable to successfully manage the affairs of the Company. The Manager, its principals, Members, officers, directors, stockholders, affiliates and employees or their successors or assigns, shall not be liable to the Company or the Members and shall be indemnified by the Company for any loss or damage resulting from any act or omission performed or omitted in good faith which shall not constitute fraud, gross negligence or willful malfeasance pursuant to the authority granted hereunder to promote the interests of the Company. Moreover the Manager shall not be liable to the Company or the Members because any taxing authorities disallow or adjust any deductions or credits in the Company income tax returns. Anything in this Agreement to the contrary notwithstanding, the Manager shall not be liable for the return of the Capital

Contributions of the Members or for any portion thereof or for any Distribution, it being expressly understood that any Member Capital Contributions or other Distributions shall be made solely from the assets of the Company nor shall the Manager be required to pay to the Company or to any Member any Capital Contribution or distribution deficits of any Member upon dissolution or otherwise

3.8 Manager Compensation. The Manager shall be entitled to compensation as set forth in this Agreement. First, the Members acknowledge that the Manager is a licensed mortgage broker, and it is intended that the Manager will receive an origination fee from borrowers of the Company in the amount of approximately \$1,000 to \$1,200 per deed of trust or loan. The loan origination fee will be paid directly to the Manager by such borrower under the loan documents in consideration for the services rendered in originating the loan.

The Manager, as a Member with a \$100.00 Capital Contribution, shall receive 33.33% (one-third) of the Annual Distributable Profits from the lending operation as set forth in Section 5.2.

Manager shall also be reimbursed the costs it has incurred in the formation of the Company, including legal fees for the Private Offering Summary, creation of loan document formats, and formation of the Company as more fully set forth in the Use of Proceeds schedule, (shown as Exhibit "D" to the Private Offering Summary).

ARTICLE 4. BOOKS AND RECORDS

4.1 Accounting Records. The Manager shall maintain and preserve at the Company's principal office adequate accounting records, including any records required to be maintained pursuant to the Act.

4.2 Inspection. All books, records, and accounts of the Company at all times shall be open to inspection by all Members.

4.3 Accounting Basis and Method. The Company books shall be kept in accordance with the accounting method followed by the Company for federal income tax purposes. The books and records of the Company shall be maintained in accordance with generally accepted accounting principles, consistently applied.

4.4 Financial Reporting. Periodically, the Manager shall balance the Company books and prepare an operating statement showing the results of operations during that period and the cumulative results of operations for that year which shall be made available to each Member.

4.5 Annual Financial Reporting. The Company's books shall be closed at the end of each Fiscal Year, and the Manager shall prepare statements showing the results of

operations which shall be supplied to all Members. When issued and affirmed as correct by the Manager, the annual statements shall be deemed final and binding, except for manifest errors discovered prior to the end of the following Fiscal Year. Issuance of the annual statements shall be made concurrent with the distribution of the Annual Distributable Profits to Members at the end of each Fiscal Year (such requirement not being intended to preclude the Quarterly Interim Distributions during the Fiscal Year).

4.6 Returns and Other Elections. The Manager shall cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Code and all other tax returns deemed necessary and required in each jurisdiction in which the Company does business. Copies of such returns, or pertinent information therefrom, shall be furnished to the Members within a reasonable time after the end of the Company's Fiscal Year. All elections permitted to be made by the Company under federal or state tax laws shall be made by the Manager.

4.7 Tax Matters for the Company. Steeple Rock Funding, LLC is designated as "Tax Matters Partner" (as defined in Section 6231 of the Code) to represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities and to expend Company funds for professional services and costs associated therewith.

ARTICLE 5. PROFITS, LOSSES AND DISTRIBUTIONS

5.1 Profits and Losses. Profits and Losses shall be allocated to the Members in proportion to their respective Percentage Interests.

5.2 Distributions. Company is in the business of loaning money on first trust deed loan positions and receiving interest income on such loans. Reserve funds will be held in a money market account drawing interest at money market rates. The interest income from these two sources shall be the annual gross income of the Company, to establish the Annual Distributable Profits as defined in section 1.9(b). The Annual Distributable Profits shall be distributed 66.67% to the Capital Members and 33.33% to Steeple Rock Funding, LLC under the formula set forth below. The Annual Distributable Profits of the Company shall be distributed to the Members as follows:

a. During the initial four (4) quarters of the Company's operation, each Capital Member shall receive an interim quarterly distribution (the "Interim Quarterly Distribution") equal to 1.5% of the Capital Member's total Capital Account (or a pro-rata portion thereof in the event of an investment by the Capital Member during the quarter) payable January 15, April 15, July 15 and October 15.

b. For the fifth (5th) and subsequent quarters of the Company's operation, each Capital Member shall receive an Interim Quarterly Distribution equal to 2.0% of the Capital Member's total Capital Account (or a pro-rata portion thereof in the event of an investment by the Capital Member during the quarter), payable

January 15, April 15, July 15 and October 15.

c. Simultaneous with and conditioned upon the Interim Quarterly Distributions having been paid to the Capital Members and further conditioned upon the Company having achieved sufficient profits to provide funds for such distribution during the preceding quarter, Steeple Rock Funding, LLC shall, commencing with the first quarter of Company operations, receive an Interim Quarterly Distribution equal to 50% of the aggregate Interim Quarterly Distributions paid to the Capital Members, payable January 15, April 15, July 15, and October 15.

d. At the end of each calendar year, an accounting of the Company's income and expenses from operations shall be made. Upon completion of the accounting, the Company shall distribute to the Members of record at the end of the calendar year, an amount equal to the Annual Distributable Profits of the Company, less the amounts previously distributed during the calendar year as Interim Quarterly Distributions as set forth above. (the "Annual Final Distribution"). The annual accounting and Annual Final Distribution shall be made to the Capital Members on or before April 15 of the following year. The final accounting shall make the total distributions equalize out so that Capital Members receive 66.67% of the total distributions (Quarterly Interim Distributions plus the Final Annual Distribution) and Steeple Rock Funding, LLC shall receive 33.33% of such total distributions. Notwithstanding the foregoing, in no event shall the total distributions to Capital Investors for each calendar year be less than the sum of the Interim Quarterly Distributions set forth above.

The Company shall withhold any amounts required to be withheld pursuant to the Code, and all such amounts withheld pursuant to the Code or any provisions of state or local tax law shall be included as a distribution to such Member and shall be treated as amounts distributed pursuant to this Section 5.2.

All such distributions to the Capital Members shall be distributed among the Capital Members in accordance with their Capital Account Percentages. The Capital Account Percentage shall be the Capital Account of such Capital Member in relationship to the total Capital Accounts of all Capital Members. The Capital Account Percentage of the Capital Members may vary from time-to-time as additional Capital Members are added pursuant to the Private Offering Summary, and certain Capital Members may have received early distributions from their Capital Account pursuant to Section 2.6 above.

Distributions of principal of loan amounts or distributions upon liquidation of the Company shall be made first to the Capital Members pro rata in accordance with their Capital Account percentages until the Capital Accounts have been reduced to zero, and, thereafter, to the Members in accordance with their Percentage Interests.

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5.3 Limitation on Distributions. No distribution shall be declared and paid unless, after the distribution is made, the assets of the Company exceed all liabilities of the Company, except liabilities to Members on account of their Capital Contributions.

5.4 Loans to the Company. Nothing in this Agreement shall prevent any Member from making secured or unsecured loans to the Company on terms proposed by the Manager and approved by all Members.

5.5 Special Allocations.

a. Qualified Income Offset. No allocation of Losses shall be made that would cause or increase a deficit balance in a Member's Capital Account (adjusted as required by Section 1.7041(b)(2)(ii)(d)(4)(6)) of the Treasury Regulations in excess of any portion that such Member is obligated to restore as of the end of the Fiscal Year to which such allocation relates. Profits shall be allocated to a Member who unexpectedly receives an adjustment, allocation or distribution described in Section 1.7041(b)(2)(ii)(d)(4)(6) of the Treasury Regulations according to a qualified income offset meeting the requirements of the proviso to that Section.

b. Section 704(c) Allocations. Profits and Losses with respect to any property contributed to the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any disparity upon contribution between the value of the property and its adjusted tax basis, as required by Section 704(c) of the Code and applicable Treasury Regulations. The Members may make reasonable curative allocations to reduce such disparities within the rules of Section 1.7043(c)(3) of the Treasury Regulations to offset the effect, in past or present years, of the ceiling rule limitation described in that regulation. Members' Capital Accounts shall be adjusted in accordance with Section 1.7041(b)(2)(iv)(g) of the Treasury Regulations for allocations made under this paragraph. In any other circumstances in which Capital Accounts properly reflect value of property that differs from its adjusted tax basis, such as in the case of revaluation of property, subsequent allocations of Profit and Loss shall take account of such differences in the same manner as provided in this paragraph for contributed property.

c. Non-recourse Deductions and Minimum Gain. Non-recourse deductions (which can arise only when the Company's non-recourse liabilities exceed the basis of assets subject thereto and are determined consistent with section 1.7042(c) of the Treasury Regulations) for any period shall be allocated among the Members in proportion to their Percentage Interests. If there is a net decrease in minimum gain (which also can arise only when the Company's non-recourse liabilities exceed the basis of the assets subject thereto and is defined in section 1.7042(b)(2) of the Treasury Regulations) for any period, each Member shall be specially allocated Profits pursuant to a minimum gain chargeback.

meeting the requirements of section 1.7042(f) of the Treasury Regulations, subject to the exceptions and waiver referred to therein.

d. Member Non-recourse Deductions and Minimum Gain. Any member non-recourse deduction (which can arise only when a Company non-recourse liability for which a Member has the economic risk of loss, whether as creditor or guarantor, exceeds the basis of assets subject thereto) for any period shall be specially allocated to the Member who bears the risk of loss with respect to the member non-recourse debt to which such member non-recourse deduction is attributable, all in a manner consistent with section 1.7042(i) of the Treasury Regulations. If during any period there is a net decrease in member non-recourse debt minimum gain (as defined for partners in section 1.7042(i) of the Treasury Regulations) for any period, each Member with a share thereof shall be specially allocated. Profits pursuant to a member non-recourse debt minimum gain chargeback, all in a manner consistent with section 1.7042(i)(4) of the Treasury Regulations, subject to the exceptions and waiver referred to therein. Allocations pursuant to this paragraph and the preceding paragraph shall be made pursuant to the ordering rules of section 1.7042(j) of the Treasury Regulations.

e. Other Allocations. The Members shall make such other special allocations as are required in order to comply with any mandatory provision of the applicable Treasury Regulations or to reflect a Member's economic interest in this Company determined with reference to such Member's right to receive distributions from this Company and such Member's obligation to pay its expenses and liabilities.

f. Acknowledgement. The Members are aware of the income tax consequences of the allocations made herein and hereby agree to be bound by such allocations in reporting their share of Company income and loss for income tax purposes.

ARTICLE 6. RIGHTS AND OBLIGATIONS OF MEMBERS

6.1 Additional Members. After the formation of the Company, new Capital Members may be added to the Company pursuant to the Private Offering Summary dated November 1, 2010 until such time as the Offering is fully subscribed at \$10,000,000, or December 31, 2011, the end of the Offering. Thereafter, no Capital Members may be added to the Company except upon such terms and for such consideration as the Capital Members, by unanimous vote, shall determine. No new Capital Members shall be entitled to any retroactive allocation of Profits and Losses nor Annual Distributable Profits. Pro rata allocations of Profits and Losses and Annual Distributable Profits shall be made to an additional Capital Member for that portion of the Company's Fiscal Year in which an additional Capital Member was admitted, in accordance with the provisions of Section 706(d) of the Code and the Treasury Regulations promulgated thereunder.

ACC000058

FILE #8219

6.2 Restrictions on Transfer of Interest. No Member and no representative of a deceased or incompetent Member may assign, sell, transfer, pledge or hypothecate any of the Member's interest in the Company. No assignee of an interest of a Member shall become a Member of the Company without the prior written consent of all of the Members. Notwithstanding the foregoing restrictions, the Members hereby consent to any future transfer of a Member's interest in the Company by an individual Member to a family trust, limited partnership, limited liability company or other entity for estate planning purposes; provided, however, that should any Person other than such transferring individual Member become authorized by such transferee to vote and otherwise deal with the interest being transferred, then such transfer shall thereafter be considered a transfer of the economic benefits of such interest without the accompanying rights to vote and/or otherwise participate in the management of the Company. Also notwithstanding the foregoing restrictions, the Members hereby consent to any future transfer of a Member's interest in the Company by an entity Member to any affiliate of such entity that has the same Authorized Agent as the transferring entity Member; provided, however, that should the transferee entity later designate an Authorized Agent different from that of the transferring entity Member, then such transfer shall thereafter be considered a transfer of the economic benefits of such interest without the accompanying rights to vote and/or otherwise participate in the management of the Company. **NO MEMBER MAY TRANSFER OR ASSIGN THE MEMBERSHIP INTERESTS WITHOUT COMPLYING WITH AN EXEMPTION TO THE APPLICABLE SECURITIES LAWS.**

6.3 Limitation of Liability. Each Member's and the Manager's liability for the debts and obligations of the Company shall be limited as set forth in Section 29-651 of the Act and other applicable law.

6.4 Authorized Agents. That individual executing this Agreement on behalf of an entity Member shall be such entity Member's initial designated Authorized Agent and shall continue in such capacity until such time as an individual affiliated with such entity Member, and having apparent management authority with respect thereto, notifies the Manager, in writing, to the contrary. If more than one individual executes this Agreement on behalf of an entity Member, then such individuals shall collectively be considered the Member's Authorized Agent. Until the time of any such notification, the Manager and each other Member shall be entitled to rely on each Authorized Agent's complete and full authority to deal with its entity Member's interest in the Company and shall have no obligation to question or investigate the continuance of such authority.

ARTICLE 7. MEETINGS OF MEMBERS

7.1 Annual Meeting. At the discretion of the Manager or at the request of ten percent (10%) or more of the Capital Members, an annual meeting of the Members may be held in April of each year, or at such other time as shall be determined by the Members, commencing with the year 2011. At the annual meeting, if any, the Members shall transact such business as may be properly brought before the meeting.

7.2 Special Meetings. Special meetings of the Members, for any purpose or purposes, may be called by the Manager or the request of ten percent (10%) of the Capital Members.

7.3 Place of Meetings. The Manager may designate any place, within or without the State of Arizona, as the place of meeting. Any such meeting, whether annual or special, may be held by conference telephone, internet or similar communications equipment by means of which all persons participating in the meeting can hear or communicate with each other, and participation in a meeting in such manner shall constitute presence in person at such meeting.

7.4 Notice of Meeting. Written notice of any meeting of the Members stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given, either personally or by mail, facsimile, Email or other electronic means, to each Member entitled to vote at such meeting not less than ten (10) nor more than fifty (50) days before the date of the meeting. If mailed, such notice shall be deemed to be delivered when mailed to the Member at his or her address as it appears on the books of the Company. If transmitted electronically, such notice shall be deemed to be delivered on the date of such transmission to the number, if any, for the respective Member which has been supplied by such Member and identified as the Member's number.

7.5 Fixing of Record Date. For purposes of determining the Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any distribution, or in order to make a determination of Members for any other proper purpose, the date on which notice of the meeting is delivered or mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Section, such determination shall apply to any adjournment thereof.

7.6 Quorum. Sixty percent (60%) of the Members, represented in person or by proxy, shall constitute a quorum at any meeting of the Members. If a quorum shall not be present or represented at any meeting of the Members, the Members entitled to vote at the meeting, present in person or represented by proxy, shall have the power to adjourn the meeting to another time and place, without notice other than announcement at the meeting at which adjournment is taken, until a quorum shall be present or represented. At such adjourned meeting, at which a quorum is present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty (30) days (or such longer period as may be permitted by applicable law), or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting.

7.7 Voting. At any meeting of the Members, if a quorum is present, the affirmative vote of a all of the Members shall be the act of the Members, unless the vote of a greater or lesser proportion or number is otherwise required by the Act, the Articles of Organization or this Agreement.

7.8 Proxies. At every meeting of Members, a Member may vote in person or by proxy executed in writing by the Member or a duly authorized attorney-in-fact. Such proxy shall be filed with the Members before or at the time of the meeting. No proxy shall be valid after eleven (11) months from its date, unless the proxy provides for a longer period.

7.9 Action Without a Meeting. Any action required or permitted to be taken at any annual or special meeting of Members may be taken without a meeting, without prior notice and without a vote, if a consent by signature in writing, setting forth the action so taken, shall be signed by the percentage or number of Members required to take or approve such action. The record date for determining Members entitled to take action without a meeting shall be the date the first Member signs a written consent.

7.10 Waiver of Notice. Attendance of a Member at a meeting shall constitute waiver of notice of such meeting, except when such attendance is for the purpose of protesting that the meeting is not lawfully called or convened. Any Member may waive notice of any annual or special meeting of Members by executing a written waiver of notice either before, at or after the time of the meeting.

ARTICLE 8: DISSOLUTION AND TERMINATION

8.1 Dissolution.

a. The Company shall dissolve upon the occurrence of any of the following events:

- i. the date upon which the Company sells all or substantially all of its assets;
- ii. by the unanimous written agreement of all Members;
- iii. upon the entry of a decree of dissolution under Section 29-785 of the Act;
- iv. upon the determination by the Manager that the Company business is no longer sustainable because the market no longer exists for the short term first lien home loans that was designated as the purpose of the Company, or the Manager determines that the operations of the Company are not sufficiently profitable on an on-going basis to sustain the Interim Quarterly Distributions defined in Section 5.2 of this Agreement; or

ACC000061
FILE #8219

v. On December 31, 2015.

b. As soon as possible following dissolution, the Manager shall execute and file a Notice of Winding Up with the Arizona Corporation Commission.

8.2 Effect of Filing of Notice of Winding Up. Upon the dissolution of the Company, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its business, but its separate existence shall continue until Articles of Termination have been filed with the Arizona Corporation Commission or until a decree dissolving the Company has been entered by a court of competent jurisdiction.

8.3 Winding Up, Liquidation and Distribution of Assets.

a. Upon dissolution, an accounting shall be made by the Manager or the Company's independent accountants of the accounts of the Company and of the Company's assets, liabilities and operations, from the date of the last previous accounting until the date of dissolution. The Manager shall immediately proceed to wind up the affairs of the Company.

b. If the Company is dissolved and its affairs are to be wound up, the Manager shall (i) sell or otherwise liquidate all of the Company's assets as promptly as practicable (except to the extent the Manager may determine to distribute any assets to the Members in kind), (ii) allocate any Profit or Loss resulting from such sales to the Members' Capital Accounts, (iii) discharge all liabilities of the Company (other than liabilities to Members), including all costs relating to the dissolution, winding up, and liquidation and distribution of assets, (iv) establish such reserves as may be reasonably necessary to provide for contingent liabilities of the Company (for purposes of determining the Capital Accounts of the Members, the amounts of such reserves shall be deemed to be an expense of the Company), (v) discharge any liabilities of the Company to the Members other than on account of their interests in Company capital or profits, and (vi) distribute the remaining assets in the following order:

i. If any assets of the Company are to be distributed in kind, the net fair market value of such assets as of the date of dissolution shall be determined by independent appraisal or by agreement of the Members. Such assets shall be deemed to have been sold immediately before the date of dissolution for their fair market value, and the Capital Accounts of the Members shall be adjusted to reflect such deemed sale.

ii. The positive balance of each Member's Capital Account, as determined after taking into account all Capital Account adjustments for the Company's taxable year during which the

ACC000062

FILE #0219

liquidation occurs, shall be distributed to the Members, pro rata, either in cash or in kind, as determined by the Manager, with any assets distributed in kind being valued for this purpose at their fair market value determined as set forth above. Any such distributions to the Members in respect of their Capital Accounts shall be made in accordance with the time requirements set forth in Section 1.7041(b)(2)(ii)(b)(2) of the Treasury Regulations.

iii. The balance, if any, to the Members in accordance with their Percentage Interests.

c. Upon completion of the winding up, liquidation and distribution of the assets, the Company shall be deemed terminated.

d. The Manager shall comply with any requirements of applicable law pertaining to the winding up of the affairs of the Company and the final distribution of its assets.

e. Notwithstanding anything to the contrary in this Agreement, if any Capital Account has a deficit balance (taking into account all contributions, distributions, and allocations for the year in which a liquidation occurs), the Members shall not be obligated to make any contribution to the capital of the Company, and the negative balance of such Member's Capital Account shall not be considered a debt owed by the Member to the Company or to any other person for any purpose whatsoever.

8.4 Articles of Termination. When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the remaining property and assets have been distributed to the Members, Articles of Termination shall be executed and filed with the Arizona Corporation Commission.

8.5 Return of Contribution; Non-Recourse to Other Members. Except as provided by law, upon dissolution, each Member shall look solely to the assets of the Company for the return of such Member's Capital Contribution. If the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the cash or other property contribution of one or more Members, such Member or Members shall have no recourse against any other Member.

ARTICLE 9. MISCELLANEOUS PROVISIONS

9.1 Notices. Any notice, demand, or communication required or permitted to be given by any provision of this Agreement shall be deemed to have been sufficiently given or served for all purposes if delivered personally to the party or to an executive officer of the party to whom the same is directed or, if sent by registered or certified mail, postage and charges prepaid, addressed to the Member's and/or Company's address, as

ACC000063

FILE #8218

appropriate, which is set forth in this Agreement or, if sent electronically, addressed to the party at its electronic address or number supplied and identified as the party. Except as otherwise provided herein, any notice sent by registered or certified mail shall be deemed to be given three business days after the date on which the same was deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and sent as aforesaid, and any notice sent electronically shall be deemed to be given upon transmission.

9.2 Application of Arizona Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona.

9.3 Waiver of Action for Partition. Each Member irrevocably waives during the term of the Company any right to maintain any action for partition with respect to the property of the Company.

9.4 Amendments. This Agreement may not be amended except by the unanimous written agreement of all the Members.

9.5 Execution of Additional Instruments. Each Member agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments as are necessary for the Company to comply with any laws, rules or regulations.

9.6 Construction. Whenever the singular number is used in this Agreement and when required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders and vice versa.

9.7 Headings. The headings in this Agreement are inserted for convenience only and are not intended to describe, interpret, define, or limit the scope, extent or intent of this Agreement or any provision hereof.

9.8 Waivers. No Member shall by mere lapse of time without giving notice or taking other action hereunder be deemed to have waived any breach by any other Member of any of the provisions of this Agreement. Further, the waiver by any Member of a particular breach of this Agreement by any other Member shall not be construed as, or constitute, a continuing waiver of such breach, or of other breaches of the same or other provisions of this Agreement.

9.9 Rights and Remedies Cumulative. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

9.10 Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid, illegal or unenforceable to any extent, the

remainder of this Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

9.11 Heirs, Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective heirs, legal representatives, successors and assigns.

9.12 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company.

9.13 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

9.14 Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, except as provided in shall be settled by arbitration in accordance with the Rules of the American Arbitration Association. Judgment upon any award rendered under arbitration may be entered in any court having jurisdiction thereof. The cost of the arbitration procedure shall be borne by the losing party, or, if the decision is not clearly in favor of one party or the other, the costs shall be borne as determined by such arbitration proceeding. At the request of either party, arbitration proceedings shall be conducted in the utmost secrecy. In such case, all documents, testimony and records shall be received, heard and maintained by the arbiters in secrecy, available for inspection only by any party and by their respective attorneys and experts who shall agree, in advance and in writing, to receive all such information in secrecy. In all other respects, the arbiters shall conduct all proceedings pursuant to the Uniform Arbitration Act as adopted in the State of Arizona and the then existing rules and regulations of the American Arbitration Association governing commercial transactions to the extent such rules and regulations are not inconsistent with such Act or this Agreement.

9.15 Counsel for the Manager. This Agreement has been prepared by the law firm of Cochran Law Firm, P.C. at the request of the Manager. All Members or Subscribers should seek the advice of their own independent counsel.

ALL SIGNATURES APPEAR ON THE FOLLOWING PAGES.

ACC000065
FILE #8219

STEEPLE ROCK FUNDING, LLC an Arizona
limited liability company

By: Payne Resources, Inc., its Manager

By: _____
A. Brent Payne
Its: President

(To be executed upon admittance as
Members by all Capital Members or by their
attorney in fact under a valid Power of
Attorney)

ACC000068
FILE #8219

Exhibit "A"
to Operating Agreement of
GRANITE LOAN FUND, LLC

<u>Membership Name and Address</u>	<u>Contributed Amount</u>	<u>Capital Account Percentage</u>	<u>% Interest</u>
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Initial Member (Manager)

Steeple Rock Funding, LLC, an Arizona limited liability company 670 East Encinas Avenue Gilbert, Arizona 85234 EIN: [REDACTED]	\$ 100		33.3333%
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Authorized Agent: A. Brent Payne

Capital Members

Investor:	\$ _____		66.6667% ¹
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Address:

SSN/EIN:

¹ The Capital Member's Percentage Interest shall equal the Capital Member's Capital Account Percentage times 66.6667%. The Capital Account Percentage Interest may vary from time-to-time subject to completion of the Offering. Each Capital Account Percentage Interest shall be the percent calculated by dividing the Capital Member's Capital Account by the total amount of all the Capital Accounts of all Capital Members outstanding from time-to-time.

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FILE #8219

Exhibit "B"
to Operating Agreement of
Granite Loan Fund, LLC

The Business and Operating Policies of the Company

1. **Business of the Company.** The primary business of the Company is to make short term loans secured by valid first deed of trust liens on non-owner occupied residential properties located in Arizona.

2. **Specific Rights and Duties of Manager.** Without limiting the general authority of the Manager specified in Sections 3.1 and 3.2 of the Agreement, the Manager is authorized and shall be responsible to do the following on behalf of the Company:

a. Carry out the business of the Company, including making loans in the name of the Company in accordance with the policies and procedures set forth herein.

b. Utilize reasonable care and judgment in evaluating and approving prospective borrowers and the properties that serve as security or collateral for loans extended by the Company.

c. Ensure that each loan extended by the Company is properly documented and evidenced by a promissory note executed by the borrower in favor of the Company for the full amount of the loan.

d. Ensure that each loan extended by the Company is secured by a valid lien on the collateral property, evidenced by a deed of trust naming the Company as beneficiary, and that such deed of trust is recorded in the records of the county recorder in the county where the collateral is located on or about the date of the closing of the loan and is evidenced as a first and prior lien by a condition of title report issued or policy of title insurance issued by a reputable title company.

e. Require that adequate casualty and fire insurance is maintained by the borrower on each collateral property securing a loan extended by the Company.

f. Maintain a complete loan file on each loan extended by the company, including all requisite documentation including (i) the initial "write-up" and approval of the loan, signed by an officer of the Manager (b) the promissory note (c) the recorded deed of trust and (d) evidence of insurance.

g. Collect interest income on behalf of the Company, and deposit the proceeds thereof in the Company bank account

h. Issue "payoff statements" to escrow agents and title companies employed by borrowers at the time the collateral property is sold, including providing "wire instructions" directing the payoff proceeds (of all outstanding principal, unpaid interest, and recording fees) be transmitted to the Company bank account

i. Disburse to the Members on a ~~monthly~~^{quarterly} basis the interest income collected by the Company

j. Upon receipt of a capital withdrawal request from a Capital Member in accordance with Section 2.6 of this Agreement, Manager shall undertake actions on a

ACC000068
FILE #8218

timely basis to facilitate the return of capital to the Capital Member as set forth in Section 2.6.

3. **Loan Terms.** The precise terms of all loans entered into by the Company will be determined by the Manager in the Manager's sole discretion unless directed otherwise, in writing, by those Members owning greater than 50% of the Percentage Interests in the Company. It is anticipated that the loan terms generally offered to borrowers will be as follows:

a. Loan term of six (6) months, which may be extended at the option of the lender for an additional three (3) months

b. A maximum loan amount equal to the lesser of (i) seventy percent (70%) of the value of the collateral property as underwritten by the Manager and (i) eighty percent (80%) of the borrower's acquisition cost of the property

c. Annual interest rate of eighteen percent (18%)

Exhibit "D"

Granite Loan Fund, LLC
An Arizona Limited Liability Company

Use of Proceeds

	Amount Sold	Percent	Amount Sold	Percent	Amount Sold	Percent
Total Proceeds	\$2,000,000	100.00%	\$5,000,000	100.00%	\$10,000,000	100.00%
Less: Offering Expenses						
Sales Commissions	\$0	0.00%	\$0	0.00%	\$0	0.00%
Consulting, Legal & Accounting	\$10,350	0.52%	\$10,350	0.21%	\$10,350	0.10%
Printing, Postage & Delivery	\$2,750	0.14%	\$2,750	0.06%	\$2,750	0.03%
Net Proceeds	\$1,986,900	99.35%	\$4,986,900	99.74%	\$9,986,900	99.87%
Use of Proceeds:						
Available Funds For Investment	\$1,986,900	99.35%	\$4,986,900	99.74%	\$9,986,900	99.87%
Total Use of Net Proceeds	\$1,986,900	99.35%	\$4,986,900	99.74%	\$9,986,900	99.87%
Total Proceeds	\$2,000,000	100.00%	\$5,000,000	100.00%	\$10,000,000	100.00%

ACC000070
FILE #8219

Exhibit "E" Granite Loan Fund, LLC Schedule of Projected Investor Returns 27-Oct-10				
Example #1:				
Assumed Capital Utilization	95.00%	of Available Funds		
Assumed Reserves, Operating Expenses	3.00%	of Gross Income		
Average Borrower Annual Interest Rate	18.00%	17.00%	16.00%	15.00%
Multiply by: Assumed Capital Utilization	95.00%	95.00%	95.00%	95.00%
Actual Gross Interest Income on Available Funds	17.10%	16.15%	15.20%	14.25%
Less: Reserves, Operating Expenses	-0.54%	-0.51%	-0.48%	-0.45%
Annual Distributable Fund Profits	16.56%	15.64%	14.72%	13.80%
Investor Distribution of Fund Profits	66.67%	66.67%	66.67%	66.67%
Annual Investor Profit Distribution - Return on Investment	11.04%	10.43%	9.81%	9.20%
Annual Investor Profit Distribution - \$100,000 Investment	\$11,040	\$10,427	\$9,813	\$9,200
Example #2:				
Assumed Capital Utilization	90.00%	of Available Funds		
Assumed Reserves, Operating Expenses	4.00%	of Gross Income		
Borrower Annual Interest Rate	18.00%	17.00%	16.00%	15.00%
Multiply by: Assumed Capital Utilization	90.00%	90.00%	90.00%	90.00%
Actual Gross Interest Income on Available Funds	16.20%	15.30%	14.40%	13.50%
Less: Reserves, Operating Expenses	-0.72%	-0.68%	-0.64%	-0.60%
Annual Distributable Fund Profits	15.48%	14.62%	13.76%	12.90%
Investor Distribution of Fund Profits	66.67%	66.67%	66.67%	66.67%
Annual Investor Profit Distribution - Return on Investment	10.32%	9.75%	9.17%	8.60%
Annual Investor Profit Distribution - \$100,000 Investment	\$10,320	\$9,747	\$9,173	\$8,600
Example #3				
Assumed Capital Utilization	85.00%	of Available Funds		
Assumed Reserves, Operating Expenses	5.00%	of Gross Income		
Borrower Annual Interest Rate	18.00%	17.00%	16.00%	15.00%
Multiply by: Assumed Capital Utilization	85.00%	85.00%	85.00%	85.00%
Actual Gross Interest Income on Available Funds	15.30%	14.45%	13.60%	12.75%
Less: Reserves, Operating Expenses	-0.90%	-0.85%	-0.80%	-0.75%
Annual Distributable Fund Profits	14.40%	13.60%	12.80%	12.00%
Investor Distribution of Fund Profits	66.67%	66.67%	66.67%	66.67%
Annual Investor Profit Distribution - Return on Investment	9.60%	9.07%	8.53%	8.00%
Annual Investor Profit Distribution - \$100,000 Investment	\$9,600	\$8,067	\$8,533	\$8,000

ACC000071
FILE #8219



670 E. Encinas Ave Gilbert, AZ 85234 Tel (480) 633-6800 Fax (602) 296-0114
Arizona M.B. #0913524 www.SteepleRockFunding.com

Granite Loan Fund, LLC SUBSCRIPTION INSTRUCTIONS

Included with the Granite Loan Fund Private Offering Summary are 2-stapled copies of the complete Subscription Agreement and 2 copies of the Operating Agreement signature page. Please complete mail all copies following the instructions below, along with a check for your Membership Interests to Granite Loan Fund, LLC.

A. Subscription Agreement (2 Copies)

1. **Front Page:** Indicate the number of Membership Interest to be purchased and the payment amount (\$25,000 x number of Membership Interests).
2. **Page 4:** Complete sub-paragraph (iv) and initial on the space provided. Sub-paragraph (j), indicate your state of residency and initial on the space provided.
3. **Page 5:** Complete paragraph 6.
4. **Page 9:** Complete the "Subscriber" section in the presence of a Notary, and have the Notary acknowledge the document. Notary Acknowledgement is found on page 11.
5. **Page 10:** Complete the Subscriber Information page.

Operating Agreement signature page: (2 Copies)

1. Please print the name of Capital Member (Subscriber) and sign accordingly.

Please mail or deliver both original copies of the completed Subscription Agreement, Operating Agreement Signature Page, and payment for your Membership Interests to:

Granite Loan Fund, LLC
670 E Encinas Ave.
Gilbert, AZ 85234

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FILE #8219

Granite Loan Fund, LLC
Operating Agreement dated November 1, 2010
Capital Member Signature Page

Capital Member acknowledges receipt of a copy of the Operating Agreement of the Company, which is contained within and was delivered to Capital Member in the Private Executive Summary dated November 1, 2010 (under the document number shown above).

Manager, by its signature below, acknowledges receipt and acceptance by the Company of an executed Subscription Agreement, funds comprising the Capital Contribution of the Capital Member, and the signature below of the Capital Member as a signatory to the Operating Agreement.

Manager:

STEEPLE ROCK FUNDING, LLC an
Arizona limited liability company

By: **Payne Resources, Inc.**, its Manager

By: _____
A. Brent Payne
Its: President

Capital Member:

DOCUMENT # 11-30

Granite Loan Fund, LLC
Operating Agreement dated November 1, 2010
Capital Member Signature Page

Capital Member acknowledges receipt of a copy of the Operating Agreement of the Company, which is contained within and was delivered to Capital Member in the Private Executive Summary dated November 1, 2010 (under the document number shown above).

Manager, by its signature below, acknowledges receipt and acceptance by the Company of an executed Subscription Agreement, funds comprising the Capital Contribution of the Capital Member, and the signature below of the Capital Member as a signatory to the Operating Agreement.

Manager:

STEEPLE ROCK FUNDING, LLC an
Arizona limited liability company

By: Payne Resources, Inc., its Manager

By: _____

A. Brent Payne

Its: President

Capital Member:

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FILE #6219

Granite Loan Fund, LLC
An Arizona Limited Liability Company

**SUBSCRIPTION AGREEMENT FOR MEMBERSHIP INTERESTS
AND
SPECIAL LIMITED POWER OF ATTORNEY**

Granite Loan Fund, LLC, an Arizona limited liability company (the "Company"), of which Steeple Rock Funding, LLC is the Manager (referred to hereinafter as the "Manager") is to be operated in accordance with the Operating Agreement of Granite Loan Fund, LLC (the "Operating Agreement") included as Exhibit "A" in the Private Offering Summary dated November 1, 2010 (the "Memorandum"), furnished to the undersigned herewith, has been formed to make secured loans on residential non-owner occupied real property located in Arizona as selected by the Managers, as described in the Memorandum, and is offering 400 Membership Interests of \$25,000 each as described in the Memorandum, for purposes of raising a fund to invest in secured loans as more fully described in the Memorandum.

1. Subscription. Subject to the terms and conditions hereof and the provisions of the Operating Agreement, the undersigned hereby irrevocably tenders this Subscription Agreement for the purchase of _____ Membership Interests, together with the payment in cash or by check of \$ _____ (\$25,000 per Membership Interest). Tender of the above-mentioned funds, this Agreement, and other required subscription documents (the "Subscription Documents") shall be made by delivery of same to the Manager, 670 E. Encinas Avenue, Gilbert, Arizona, 85234. The check should be made payable to Granite Loan Fund, LLC. The funds, plus any interest earned thereon, this Agreement and the Subscription Documents will be held for the benefit of the undersigned by the Manager and will be promptly returned to the undersigned if the Manager elects not to proceed with the Offering.

2. Adoption of Operating Agreement. The undersigned acknowledges receipt of the Memorandum and the Operating Agreement which is attached to the Memorandum as Exhibit "A", and the undersigned specifically accepts and adopts each and every provision of the Operating Agreement.

3. Right of Manager to Reject Subscription. The undersigned acknowledges that the Manager shall have the absolute right to accept or reject this subscription.

4. Representations and Warranties. The undersigned hereby makes the following representations and warranties to the Manager and the Company:

(a) I have sufficient liquid assets to pay the amount due for the Membership Interests to which I am subscribing under the Subscription Agreement.

(b) (i) I have adequate means of providing for my current needs and possible personal contingencies, and I have no need for liquidity with regard to my investment in the Company; and (ii) I have a net worth sufficient to bear the risk of losing my entire investment in the Company; and (iii) I have a net worth (exclusive of home, furnishings, and automobiles) of at least \$1,000,000 or had income for the two previous tax years of at least \$200,000 per year or if the subscriber is an entity (corporation, limited liability company or partnership) such entity has in excess of \$5,000,000 in assets and was not formed for the purpose of this investment; and (iv) I can bear the risk of losing my entire investment in the Company; and (v) I have, alone or together with my Purchaser Representative (as hereinafter defined), such knowledge and experience in financial and business matters that I am capable of evaluating the relative risks and merits of this investment; and (vi) I do not have an overall commitment to non-readily marketable investments which is disproportionate to my net worth and the investment subscribed for herein will not cause such overall commitment to become excessive.

(c) The address set forth below is my true and correct residence, and I have no present intention of becoming a resident of any other state or jurisdiction.

(d) I have received and read and am familiar with the Operating Agreement, the Memorandum, and this Subscription Agreement, and I confirm that all documents, records and books pertaining to the Company and requested by me have been made available to me.

(e) The undersigned has had an opportunity to ask questions of and receive answers from the Managers, or a person or persons acting on its behalf, concerning the terms and conditions of this investment.

(f) I understand that the Membership Interests have not been registered under the Securities Act of 1933 or, with certain exceptions, any state securities acts, in reliance on one or more exemptions from registration under the Securities Act of 1933 or under such state acts, and I further understand that I am purchasing an Interest in the Company without being furnished any offering literature or prospectus other than the Memorandum and promotional and sales

literature prepared by the Company as described in the Memorandum.

(g) The Membership Interests for which I hereby subscribe are being acquired solely for my own account, for investment and are not being purchased with a view to or for the resale, distribution, subdivision or fractionalization thereof; I have no present plans to enter into any such contract, undertaking, agreement or arrangement. In order to induce the Company to issue and sell the Membership Interests subscribed for hereby to me, it is agreed that the Company will have no obligation to recognize the ownership, beneficial or otherwise, of such Membership Interests by anyone but me.

(h) I have received, completed and returned to the Manager the Purchaser Questionnaire relating to my general ability to bear the risks of an investment in the Company and my suitability as an investor, and I hereby affirm the correctness of my answers in such Questionnaire.

(i) I acknowledge and am aware of the following:

(i) That the Company has no financial or operating history; that this is the Company's first venture and the Interests are speculative investments which involve a high degree of risk of loss by me of my entire investment in the Company.

(ii) There are substantial restrictions on the transferability of the Membership Interests; the Membership Interests will not be, and investors in the Company have no rights to require that the Membership Interests be registered under the Securities Act of 1933; there will be no public market for the Membership Interests; I will not be able to avail myself of the provisions of Rule 144 adopted by the Securities and Exchange Commission under the Securities Act of 1933 with respect to the resale of the Membership Interests; and accordingly, I may have to hold the Membership Interests indefinitely and that it may not be possible for me to liquidate my investment in the Company.

(iii) THE TAX EFFECTS WHICH MAY BE EXPECTED
BY THE
COMPANY ARE NOT SUSCEPTIBLE TO ABSOLUTE PREDICTION, AND
NEW
DEVELOPMENTS IN RULINGS OF THE INTERNAL REVENUE SERVICE,
AUDIT
ADJUSTMENTS, COURT DECISIONS OR LEGISLATIVE CHANGES MAY
HAVE AN
ADVERSE EFFECT ON ONE OR MORE OF THE TAX CONSEQUENCES
SOUGHT BY

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FILE #8219

THE COMPANY TO BE TAXED.

(iv) That I have been advised that the following person will receive from the Company compensation as a broker or finder in connection with my purchase of Membership Interests (if NONE, so indicate):

_____ (initial)

(v) That it never has been represented, guaranteed or warranted to me by any broker, the Manager, its agents, or employees or any other person, expressly or by implication, any of the following:

(A) The exact length of time that I will be required to remain as owner of my Membership Interests.

(B) THE PERCENTAGE OF PROFIT AND/OR AMOUNT OF OR TYPE OF CONSIDERATION, PROFIT OR LOSS (INCLUDING TAX WRITE-OFFS AND/OR TAX BENEFITS) TO BE REALIZED, IF ANY, AS A RESULT OF THIS VENTURE.

(C) That the past performance or experience of the Manager or any Affiliate, or of any other person, will in any way indicate the predictable results of the ownership of Membership Interests or of the overall Company venture.

(j) I am a resident of the State of _____ if applicable, I hereby acknowledge the matters set out on Exhibit I attached hereto and incorporated by this reference. (Please indicate acknowledgment of the foregoing by initialing in the space provided.

_____ (initial)

The foregoing representations and warranties are true and accurate as of the date hereof and shall be true and accurate as of the date of delivery of the funds to the Company and shall survive such delivery. If in any respect such representations and warranties shall not be true and accurate prior to delivery of the funds, I shall give written notice of such fact to the Manager and to my Purchaser

ACC000078
FILE #8218

Representative, if any, specifying which representations and warranties are not true and accurate and the reasons therefore.

5. Indemnification. I acknowledge that I understand the meaning and legal consequences of the representations and warranties contained in Section 4 hereof, and I hereby agree to indemnify and hold harmless the Company, each Member thereof, and the Manager, from and against any and all loss, damage or liability due to or arising out of a breach of any representation or warranty made by me in this instrument.

6. Title. I desire to take title to my Membership Interests as follows:

- _____ (a) Individually, as a single person
- _____ (b) Husband and Wife, as community property
- _____ (c) Joint tenants
- _____ (d) Tenants in common
- _____ (e) Separate property
- _____ (f) As custodian of _____
under the Uniform Gifts to Minors Act
- _____ (g) Other, e.g. corporate, partnership, custodian,
trustee, etc.

Indicate exact name and present address:

_____ I wish to receive periodic updates from the Fund by e-mail at the following e-mail address:

7. Special and Limited Power of Attorney.

(a) The undersigned hereby constitutes and appoints A. Brent Payne and Michael R. Olson, or either of them acting individually, in writing, the undersigned's true and lawful agent and attorney-in-fact (with full power in such

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FILE #8219

attorney to substitute another attorney in such attorney's place and to revoke such substitution), to make, execute, swear to and acknowledge, amend, file, record, deliver and publish in the undersigned's name, place and stead in any manner which he could do if personally present to the extent permitted by law any one or more of the following:

(i) An Operating Agreement substantially in form of Exhibit A to the Memorandum as well as amendments thereto, under the laws of Arizona and any other state in which a certificate is required to be filed.

(ii) Any and all instruments or documents (A) that may be appropriate to reflect (1) a change in the name or the location of the principal place of business of the Company, (2) the disposition by a Member of an interest in the Company or any part thereof, (3) the substitution or addition of a person becoming a Member of the Company, (4) a distribution and reduction in the capital contribution of a Member, (5) a change in the capital of the Company, (6) the admission of new Members in accordance with Sections 6.1 and 6.2 of the Operating Agreement; and (B) any and all amendments thereto or modifications or restatements thereof.

(iii) All certificates and other instruments necessary to qualify or continue the Company as a limited liability company in the jurisdictions where the Company may be doing business, including, but not limited to, any fictitious or assumed name certificate required or permitted to be filed by or on behalf of the Company.

(iv) Any other instrument which is now or which may hereafter be required by law to be filed for or on behalf of the Company.

(v) All documents and instruments which may be required to effect the dissolution and termination of the Company in accordance with the provisions of the Operating Agreement.

(vi) All such other documents or instruments, including, but not limited to, instruments of conveyance of any Company property or interest therein, which the Manager deems necessary or appropriate in the conduct of the Company's business.

(b) The power of attorney concurrently granted by each Member to A. Brent Payne and Michael R. Olson, or either of them acting individually:

(i) Is a special power of attorney coupled with an interest, and is irrevocable and shall survive the death, legal incapacity, bankruptcy,

insolvency or dissolution of the undersigned to the extent that the undersigned may legally contract for such survival;

(ii) May be exercised by a facsimile signature of A. Brent Payne or Michael R. Olson, or by listing the undersigned and all other Members for whom action is being taken pursuant to like power of attorney next to the single signature of A. Brent Payne or Michael R. Olson on an exhibit to any document executed by A. Brent Payne or Michael R. Olson pursuant hereto;

(iii) Shall survive the delivery of an assignment by a Member of the whole or any portion of his or her Membership Interest; except that where the assignee thereof has been approved by the Managers for admission to the Company as a substituted Member, the power of attorney shall survive the delivery of such assignment for the sole purpose of enabling A. Brent Payne or Michael R. Olson to execute, acknowledge and file any instrument necessary to effect such substitution.

This special power of attorney does not supersede any part of the Operating Agreement nor is it to be used to deprive the undersigned of any of his or her rights. It is intended only to provide a simplified system for execution of documents. If required, the undersigned shall execute and deliver to the Manager, within five days after the receipt of a request therefor, such additional designations, powers of attorney or other instruments as the Manager shall reasonably deem necessary for the purposes of this provision.

8. No Waiver. Notwithstanding any of the representations, warranties, acknowledgments or agreements made herein by the undersigned, the undersigned does not hereby or in any other manner waive any rights granted to him under the federal or state securities laws.

9. Transferability. The undersigned shall not transfer or assign this Agreement or any of his or her interests herein, and shall assign or transfer the Interests acquired hereto only in accordance with the Operating Agreement.

10. Revocation. The undersigned shall not cancel, terminate or revoke this Agreement or any agreement of the undersigned made hereunder. This Agreement shall survive the death or disability of the undersigned except as provided below.

11. Termination. If the Manager elects, in its sole discretion, not to complete the Offering, then this Agreement shall be null and void and of no further force and effect and no party shall have any rights against any other party hereunder or under the Operating Agreement, and the Manager as Escrow Agent

shall promptly return to the undersigned the funds, the Subscription Documents, and this Agreement.

12. Miscellaneous.

(a) All notices or other communications given or made hereunder shall be in writing and shall be delivered or mailed by registered or certified mail, return receipt requested, postage prepaid, to the Manager, Steeple Rock Funding, LLC, 670 E. Encinas Avenue, Gilbert, Arizona, 85234.

(b) Notwithstanding the place where this Agreement is executed by any of the parties hereto, the parties expressly agree that all of the terms and provisions hereof shall be construed in accordance with and governed by the laws of the State of Arizona.

(c) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and may be amended only by a writing executed by all parties hereto.

ALL SIGNATURES APPEAR ON THE FOLLOWING PAGE

**Granite Loan Fund
Subscription Agreement**

SUBSCRIBER:

Dated: _____
Signature of Subscriber

Dated: _____
Signature of Subscriber

(see next page for subscriber information)

ACCEPTED ON BEHALF OF COMPANY BY:

Dated: _____ By _____
Signature on behalf of Manager

Printed Name

All checks should be made payable to:

Granite Loan Fund, LLC
670 E. Encinas Avenue
Gilbert, AZ 85234

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FILE #8219

Granite Loan Fund, LLC
Subscription Agreement

Please print or type:

Subscriber's Name(s):

Principal Residence/Business Address:

(Number and Street)

(City)

(State)(Zip Code)

Social Security/Tax ID Number(s):

Name(s) and Address(es)
of Purchaser Representative(s), if any:

ACC000084
FILE #8219

GENERAL ACKNOWLEDGMENT

(for use by all individual subscribers)

STATE OF _____)
) ss.
COUNTY of _____)

On this _____ day of _____, 20____, before me, a
notary public in and for the foregoing jurisdiction, personally appeared
_____ who reside(s) at _____
to me known and known to me to be the person(s) who executed the foregoing
instrument, and he (they) acknowledged to me that the same was executed by him
(them) individually, that the statements made therein are true to the best of his or
her (their) knowledge, information and belief, and that such execution constitutes
his or her (their) own free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my
official seal on the day, month and year first above written.

Notary Public

My Commission Expires:

ACC000085
FILE #8219

ENTITY ACKNOWLEDGMENT

STATE OF _____)
)ss.
COUNTY of _____)

On this _____ day of _____, 20____, before me, a notary public in and for the foregoing jurisdiction, personally appeared _____, who reside(s) at _____ to me known and known to me to be the person(s) who executed the foregoing instrument, and known by me to be the _____ of _____, a _____, and he or she acknowledged to me that the same was executed by him or her in such capacity pursuant to authority, given by the appropriate authority of such entity, that the statements made therein are true to the best of his or her knowledge, information and belief, and that such execution constitutes his or her own free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day, month and year first above written.

Notary Public

My Commission Expires:

ACC000086
FILE #8219

Granite Loan Fund, LLC
An Arizona Limited Liability Company

**SUBSCRIPTION AGREEMENT FOR MEMBERSHIP INTERESTS
AND
SPECIAL LIMITED POWER OF ATTORNEY**

Granite Loan Fund, LLC, an Arizona limited liability company (the "Company"), of which Steeple Rock Funding, LLC is the Manager (referred to hereinafter as the "Manager") is to be operated in accordance with the Operating Agreement of Granite Loan Fund, LLC (the "Operating Agreement") included as Exhibit "A" in the Private Offering Summary dated November 1, 2010 (the "Memorandum"), furnished to the undersigned herewith, has been formed to make secured loans on residential non-owner occupied real property located in Arizona as selected by the Managers, as described in the Memorandum, and is offering 400 Membership Interests of \$25,000 each as described in the Memorandum, for purposes of raising a fund to invest in secured loans as more fully described in the Memorandum.

1. Subscription. Subject to the terms and conditions hereof and the provisions of the Operating Agreement, the undersigned hereby irrevocably tenders this Subscription Agreement for the purchase of _____ Membership Interests, together with the payment in cash or by check of \$ _____ (\$25,000 per Membership Interest). Tender of the above-mentioned funds, this Agreement, and other required subscription documents (the "Subscription Documents") shall be made by delivery of same to the Manager, 670 E. Encinas Avenue, Gilbert, Arizona, 85234. The check should be made payable to Granite Loan Fund, LLC. The funds, plus any interest earned thereon, this Agreement and the Subscription Documents will be held for the benefit of the undersigned by the Manager and will be promptly returned to the undersigned if the Manager elects not to proceed with the Offering.

2. Adoption of Operating Agreement. The undersigned acknowledges receipt of the Memorandum and the Operating Agreement which is attached to the Memorandum as Exhibit "A", and the undersigned specifically accepts and adopts each and every provision of the Operating Agreement.

3. Right of Manager to Reject Subscription. The undersigned acknowledges that the Manager shall have the absolute right to accept or reject this subscription.

4. Representations and Warranties. The undersigned hereby makes the following representations and warranties to the Manager and the Company:

(a) I have sufficient liquid assets to pay the amount due for the Membership Interests to which I am subscribing under the Subscription Agreement.

(b) (i) I have adequate means of providing for my current needs and possible personal contingencies, and I have no need for liquidity with regard to my investment in the Company; and (ii) I have a net worth sufficient to bear the risk of losing my entire investment in the Company; and (iii) I have a net worth (exclusive of home, furnishings, and automobiles) of at least \$1,000,000 or had income for the two previous tax years of at least \$200,000 per year or if the subscriber is an entity (corporation, limited liability company or partnership) such entity has in excess of \$5,000,000 in assets and was not formed for the purpose of this investment; and (iv) I can bear the risk of losing my entire investment in the Company; and (v) I have, alone or together with my Purchaser Representative (as hereinafter defined), such knowledge and experience in financial and business matters that I am capable of evaluating the relative risks and merits of this investment; and (vi) I do not have an overall commitment to non-readily marketable investments which is disproportionate to my net worth and the investment subscribed for herein will not cause such overall commitment to become excessive.

(c) The address set forth below is my true and correct residence, and I have no present intention of becoming a resident of any other state or jurisdiction.

(d) I have received and read and am familiar with the Operating Agreement, the Memorandum, and this Subscription Agreement, and I confirm that all documents, records and books pertaining to the Company and requested by me have been made available to me.

(e) The undersigned has had an opportunity to ask questions of and receive answers from the Managers, or a person or persons acting on its behalf, concerning the terms and conditions of this investment.

(f) I understand that the Membership Interests have not been registered under the Securities Act of 1933 or, with certain exceptions, any state securities acts, in reliance on one or more exemptions from registration under the Securities Act of 1933 or under such state acts, and I further understand that I am purchasing an Interest in the Company without being furnished any offering literature or prospectus other than the Memorandum and promotional and sales

literature prepared by the Company as described in the Memorandum.

(g) The Membership Interests for which I hereby subscribe are being acquired solely for my own account, for investment and are not being purchased with a view to or for the resale, distribution, subdivision or fractionalization thereof; I have no present plans to enter into any such contract, undertaking, agreement or arrangement. In order to induce the Company to issue and sell the Membership Interests subscribed for hereby to me, it is agreed that the Company will have no obligation to recognize the ownership, beneficial or otherwise, of such Membership Interests by anyone but me.

(h) I have received, completed and returned to the Manager the Purchaser Questionnaire relating to my general ability to bear the risks of an investment in the Company and my suitability as an investor, and I hereby affirm the correctness of my answers in such Questionnaire.

(i) I acknowledge and am aware of the following:

(i) That the Company has no financial or operating history; that this is the Company's first venture and the Interests are speculative investments which involve a high degree of risk of loss by me of my entire investment in the Company.

(ii) There are substantial restrictions on the transferability of the Membership Interests; the Membership Interests will not be, and investors in the Company have no rights to require that the Membership Interests be registered under the Securities Act of 1933; there will be no public market for the Membership Interests; I will not be able to avail myself of the provisions of Rule 144 adopted by the Securities and Exchange Commission under the Securities Act of 1933 with respect to the resale of the Membership Interests; and accordingly, I may have to hold the Membership Interests indefinitely and that it may not be possible for me to liquidate my investment in the Company.

(iii) THE TAX EFFECTS WHICH MAY BE EXPECTED BY THE COMPANY ARE NOT SUSCEPTIBLE TO ABSOLUTE PREDICTION, AND NEW DEVELOPMENTS IN RULINGS OF THE INTERNAL REVENUE SERVICE, AUDIT ADJUSTMENTS, COURT DECISIONS OR LEGISLATIVE CHANGES MAY HAVE AN ADVERSE EFFECT ON ONE OR MORE OF THE TAX CONSEQUENCES SOUGHT BY

ACC000089
FILE #8219

THE COMPANY TO BE TAXED.

(iv) That I have been advised that the following person will receive from the Company compensation as a broker or finder in connection with my purchase of Membership Interests (if NONE, so indicate):

(initial)

(v) That it never has been represented, guaranteed or warranted to me by any broker, the Manager, its agents, or employees or any other person, expressly or by implication, any of the following:

(A) The exact length of time that I will be required to remain as owner of my Membership Interests.

(B) THE PERCENTAGE OF PROFIT AND/OR AMOUNT OF OR TYPE OF CONSIDERATION, PROFIT OR LOSS (INCLUDING TAX WRITE-OFFS AND/OR TAX BENEFITS) TO BE REALIZED, IF ANY, AS A RESULT OF THIS VENTURE.

(C) That the past performance or experience of the Manager or any Affiliate, or of any other person, will in any way indicate the predictable results of the ownership of Membership Interests or of the overall Company venture.

(i) I am a resident of the State of _____ if applicable, I hereby acknowledge the matters set out on Exhibit 1 attached hereto and incorporated by this reference. (Please indicate acknowledgment of the foregoing by initialing in the space provided.

(initial)

The foregoing representations and warranties are true and accurate as of the date hereof and shall be true and accurate as of the date of delivery of the funds to the Company and shall survive such delivery. If in any respect such representations and warranties shall not be true and accurate prior to delivery of the funds, I shall give written notice of such fact to the Manager and to my Purchaser

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FILE #8219

Representative, if any, specifying which representations and warranties are not true and accurate and the reasons therefore.

5. Indemnification. I acknowledge that I understand the meaning and legal consequences of the representations and warranties contained in Section 4 hereof, and I hereby agree to indemnify and hold harmless the Company, each Member thereof, and the Manager, from and against any and all loss, damage or liability due to or arising out of a breach of any representation or warranty made by me in this instrument.

6. Title. I desire to take title to my Membership Interests as follows:

- _____ (a) Individually, as a single person
- _____ (b) Husband and Wife, as community property
- _____ (c) Joint tenants
- _____ (d) Tenants in common
- _____ (e) Separate property
- _____ (f) As custodian of _____
under the Uniform Gifts to Minors Act
- _____ (g) Other, e.g. corporate, partnership, custodian,
trustee, etc.

Indicate exact name and present address:

_____ I wish to receive periodic updates from the Fund by e-mail at the following e-mail address:

7. Special and Limited Power of Attorney.

(a) The undersigned hereby constitutes and appoints A. Brent Payne and Michael R. Olson, or either of them acting individually, in writing, the undersigned's true and lawful agent and attorney-in-fact (with full power in such

attorney to substitute another attorney in such attorney's place and to revoke such substitution), to make, execute, swear to and acknowledge, amend, file, record, deliver and publish in the undersigned's name, place and stead in any manner which he could do if personally present to the extent permitted by law any one or more of the following:

(i) An Operating Agreement substantially in form of Exhibit A to the Memorandum as well as amendments thereto, under the laws of Arizona and any other state in which a certificate is required to be filed.

(ii) Any and all instruments or documents (A) that may be appropriate to reflect (1) a change in the name or the location of the principal place of business of the Company, (2) the disposition by a Member of an interest in the Company or any part thereof, (3) the substitution or addition of a person becoming a Member of the Company, (4) a distribution and reduction in the capital contribution of a Member, (5) a change in the capital of the Company, (6) the admission of new Members in accordance with Sections 6.1 and 6.2 of the Operating Agreement; and (B) any and all amendments thereto or modifications or restatements thereof.

(iii) All certificates and other instruments necessary to qualify or continue the Company as a limited liability company in the jurisdictions where the Company may be doing business, including, but not limited to, any fictitious or assumed name certificate required or permitted to be filed by or on behalf of the Company.

(iv) Any other instrument which is now or which may hereafter be required by law to be filed for or on behalf of the Company.

(v) All documents and instruments which may be required to effect the dissolution and termination of the Company in accordance with the provisions of the Operating Agreement.

(vi) All such other documents or instruments, including, but not limited to, instruments of conveyance of any Company property or interest therein, which the Manager deems necessary or appropriate in the conduct of the Company's business.

(b) The power of attorney concurrently granted by each Member to A. Brent Payne and Michael R. Olson, or either of them acting individually:

(i) Is a special power of attorney coupled with an interest, and is irrevocable and shall survive the death, legal incapacity, bankruptcy,

insolvency or dissolution of the undersigned to the extent that the undersigned may legally contract for such survival;

(ii) May be exercised by a facsimile signature of A. Brent Payne or Michael R. Olson, or by listing the undersigned and all other Members for whom action is being taken pursuant to like power of attorney next to the single signature of A. Brent Payne or Michael R. Olson on an exhibit to any document executed by A. Brent Payne or Michael R. Olson pursuant hereto;

(iii) Shall survive the delivery of an assignment by a Member of the whole or any portion of his or her Membership Interest; except that where the assignee thereof has been approved by the Managers for admission to the Company as a substituted Member, the power of attorney shall survive the delivery of such assignment for the sole purpose of enabling A. Brent Payne or Michael R. Olson to execute, acknowledge and file any instrument necessary to effect such substitution.

This special power of attorney does not supersede any part of the Operating Agreement nor is it to be used to deprive the undersigned of any of his or her rights. It is intended only to provide a simplified system for execution of documents. If required, the undersigned shall execute and deliver to the Manager, within five days after the receipt of a request therefor, such additional designations, powers of attorney or other instruments as the Manager shall reasonably deem necessary for the purposes of this provision.

8. No Waiver. Notwithstanding any of the representations, warranties, acknowledgments or agreements made herein by the undersigned, the undersigned does not hereby or in any other manner waive any rights granted to him under the federal or state securities laws.

9. Transferability. The undersigned shall not transfer or assign this Agreement or any of his or her interests herein, and shall assign or transfer the Interests acquired hereto only in accordance with the Operating Agreement.

10. Revocation. The undersigned shall not cancel, terminate or revoke this Agreement or any agreement of the undersigned made hereunder. This Agreement shall survive the death or disability of the undersigned except as provided below.

11. Termination. If the Manager elects, in its sole discretion, not to complete the Offering, then this Agreement shall be null and void and of no further force and effect and no party shall have any rights against any other party hereunder or under the Operating Agreement, and the Manager as Escrow Agent

shall promptly return to the undersigned the funds, the Subscription Documents, and this Agreement.

12. Miscellaneous.

(a) All notices or other communications given or made hereunder shall be in writing and shall be delivered or mailed by registered or certified mail, return receipt requested, postage prepaid, to the Manager, Steeple Rock Funding, LLC, 670 E. Encinas Avenue, Gilbert, Arizona, 85234.

(b) Notwithstanding the place where this Agreement is executed by any of the parties hereto, the parties expressly agree that all of the terms and provisions hereof shall be construed in accordance with and governed by the laws of the State of Arizona.

(c) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and may be amended only by a writing executed by all parties hereto.

ALL SIGNATURES APPEAR ON THE FOLLOWING PAGE

ACC000094
FILE #8219

Granite Loan Fund
Subscription Agreement

SUBSCRIBER:

Dated: _____
Signature of Subscriber

Dated: _____
Signature of Subscriber

(see next page for subscriber information)

ACCEPTED ON BEHALF OF COMPANY BY:

Dated: _____ By _____
Signature on behalf of Manager

Printed Name

All checks should be made payable to:

Granite Loan Fund, LLC
670 E. Encinas Avenue
Gilbert, AZ 85234

ACC000095
FILE #8219

Granite Loan Fund, LLC
Subscription Agreement

Please print or type:

Subscriber's Name(s):

Principal Residence/Business Address:

(Number and Street)

(City)

(State)(Zip Code)

Social Security/Tax ID Number(s):

Name(s) and Address(es)
of Purchaser Representative(s), if any:

ACC000096
FILE #8219

GENERAL ACKNOWLEDGMENT

(for use by all individual subscribers)

STATE OF _____)
)ss.
COUNTY of _____)

On this _____ day of _____, 20____, before me, a
notary public in and for the foregoing jurisdiction, personally appeared
_____ who reside(s) at _____
to me known and known to me to be the person(s) who executed the foregoing
instrument, and he (they) acknowledged to me that the same was executed by him
(them) individually, that the statements made therein are true to the best of his or
her (their) knowledge, information and belief, and that such execution constitutes
his or her (their) own free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my
official seal on the day, month and year first above written.

Notary Public

My Commission Expires:

ACC000097
FILE #8219

ENTITY ACKNOWLEDGMENT

STATE OF _____)
) ss.
COUNTY of _____)

On this _____ day of _____, 20____, before me, a notary public in and for the foregoing jurisdiction, personally appeared _____, who reside(s) at _____ to me known and known to me to be the person(s) who executed the foregoing instrument, and known by me to be the _____ of _____, a _____ and he or she acknowledged to me that the same was executed by him or her in such capacity pursuant to authority, given by the appropriate authority of such entity, that the statements made therein are true to the best of his or her knowledge, information and belief, and that such execution constitutes his or her own free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day, month and year first above written.

Notary Public

My Commission Expires:

ACC000098
FILE #6219

PLEASE PRESS FIRMLY

PLEASE PRESS FIRMLY



UNITED STATES POSTAL SERVICE

Amount of mailable material may be enclosed, as long as envelope is not modified, and the contents are fully confined within the envelope with the adhesive fast as the means of closure.

NATIONAL RESTRICTIONS APPLY:

NO WEIGHT LIMIT ON
NATIONAL APPLIES

Some forms are required. Consult the
National Mail Manual (NMM) at pe.usps.gov
or a retail associate for details.

USPS packaging products have been awarded Gold Medal
to the United States Postal Service for their ecological design.
USPS packaging products are made from 100% recycled paper.
Recycling is the best way to protect the environment.

Recycle.



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P	0406 5036 9930 0414 7033 67 0001 8118 8001 \$4.75 US POSTAGE Flat Rate Envelope Commercial Base Pricing 11/30/10 1 lb 1 oz Mailed from 85284 071V00686870
	USPS PRIORITY MAIL®
MIKE OLSON STEEPLE ROCK FUNDING, LLC 870 E ENGINAS AVE GILBERT AZ 85234-3481	
SHIP TO: C. J. HANSEL PHOENIX AZ	
ZIP - e/ USPS DELIVERY CONFIRMATION™	
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For Domestic and International Use

ACC000099
FILE #8219



EP14F

866

Exhibit “F”

ROSHKA DEWULF & PATTEN

ROSHKA DEWULF & PATTEN, PLC
ATTORNEYS AT LAW
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET
SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

March 4, 2011

Mr. Michael Dailey
Securities Division
Arizona Corporation Commission
1300 West Washington
Phoenix, Arizona 85007

Dear Mr. Dailey:

Enclosed is a motion we filed requesting the Administrative Law Judge ("ALJ") order the deposition of Special Investigator C.J. Hanselman. We have sought your agreement to make Mr. Hanselman available for deposition on several occasions, and since you have not agreed, we were left with no choice but to seek the ALJ's intervention.

In addition to providing you with notice of our pending motion, we also write to request the production of documents. While you already provided us with the communications between Mr. Hanselman and Respondents, such documents were redacted. We also believe there are additional materials that you possess that are relevant to the allegations in the Temporary Cease and Desist ("TC&D"). Please let us know if you will produce these documents, and whether you will produce them unredacted. If not, we will file a motion to compel seeking an order requiring you to provide the requested information pursuant to A.A.C. R14-3-109(O).

Please provide the following information and documents by March 21, 2011. Unless otherwise noted, the requests are limited to the time frame of August 1, 2010 to present. Further, the term "Division" is defined as the Securities Division of the Arizona Corporation Commission and includes yourself, Special Investigator C.J. Hanselman, Matthew Neubert, Julie Coleman, Bill Black, Veronica Sandoval and any other employee of the Securities Division that was involved with or assisted in the preparation of the TC&D.

1. All documents the Division received relating to or referencing Granite Loan Fund, LLC; Steeple Rock Funding, LLC; Arthur Brent Payne; and Michael Richard Olson.

ROSHKA DEWULF & PATTEN

Mr. Michael Dailey

Page 2

March 4, 2011

2. All subpoenas the Division issued to any person or entity that relate to or reference Granite Loan Fund, LLC; Steeple Rock Funding, LLC; Arthur Brent Payne; and Michael Richard Olson. Respondents exclude from this request subpoenas issued to Granite Loan Fund, LLC; Steeple Rock Funding, LLC; Arthur Brent Payne; and/or Michael Richard Olson.
3. All documents the Division received in response to the subpoenas referenced in Request # 2 above.
4. Any testimony the Division took that relates to or references Granite Loan Fund, LLC; Steeple Rock Funding, LLC; Arthur Brent Payne; and Michael Richard Olson.
5. All documents that support the Division's decision to issue the Temporary Order to Cease and Desist and Notice of Opportunity for Hearing in Docket No. S-20772A-10-0489.
6. All communications between the Division and the person identified as "The Second Potential Arizona Investor" in paragraphs 30-32 of the Temporary Order to Cease and Desist and Notice of Opportunity for Hearing in Docket No. S-20772A-10-0489.
7. All documents the Division received from the person identified as "The Second Potential Arizona Investor" in paragraphs 30-32 of the Temporary Order to Cease and Desist and Notice of Opportunity for Hearing in Docket No. S-20772A-10-0489.
8. For all computers at the Division or in the possession and/or control of the Division's employees with access to the Internet: the website history showing each instance/occurrence anyone from the ACC accessed www.steeplerockfunding.com, including but not limited to the "about us," "contact us," "loan program," "loan process," or "Granite Loan Fund" pages accessible from the home page, whether by typing in the website address directly or searching for it through a search engine.
9. For all computers at the Division or in the possession and/or control of the Division's employees with access to the Internet: the search history (i.e., google, yahoo, bing, or other search engines) for the term "Steeple Rock Funding."

ROSHKA DEWULF & PATTEN

Mr. Michael Dailey

Page 3

March 4, 2011

10. For all computers at the Division or in the possession and/or control of the Division's employees with access to the Internet: the search history (i.e., google, yahoo, bing, or other search engines) for the term "Granite Loan Fund."
11. The website history and internet search history for any computer or Internet-connected device (including, but not limited to, a cellular phone or smart phone device (i.e., Blackberry, iPhone, Droid, etc.) used by Investigator C.J. Hanselman from November 1-December 10, 2010, including but not limited to any personal or work computer in which he sent and received emails at the address cj.hansel@yahoo.com.

Please let us know if you have any questions. Thank you for your cooperation.

Yours truly,



Jennifer A. Baker
For the Firm

JAB:mi

Enclosure

cc: Brent Payne
Michael Olson

Exhibit “G”

COCHRAN LAW FIRM, P.C.

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

SUITE 118
2929 E. CAMELBACK ROAD
PHOENIX, ARIZONA 85016

TELEPHONE
(602) 952-5300
FACSIMILE
(602) 952-7010

December 17, 2010

Ms. Julie Coleman
Chief Counsel of Enforcement
Securities Division
Arizona Corporation Commission
1300 W. Washington, Third Floor
Phoenix, AZ 85007
HAND DELIVERED

**RE: Arthur Brent Payne et. ux. ("Payne")
Michael R. Olson et. ux. ("Olson")
Steeple Rock Funding LLC ("SRF")
Granite Loan Fund I, LLC ("GLF")**

Dear Ms. Coleman:

This firm represents the individuals and entities referenced above with respect to securities matters. We are in receipt of a copy of the Temporary Order to Cease and Desist and Notice for Opportunity For Hearing under Docket #S-20772A-10-0489 (the Temporary Order", together with Subpoena Duces Tecum under File #8219 (the "Subpoena") which were personally served on my clients by representatives of the Arizona Corporation Commission at approximately 9:30 AM, Tuesday, December 14, 2010.

Attached is a copy of our Request for Hearing pursuant to A.R.S. §44-1972 and A.A.C. Rule 14-4-307. However, I hope that the matter will not need to go through a hearing, as we believe that the respondents have properly complied with the private offering under Arizona and Federal securities laws and, therefore, they have not, pursuant to the terms and conditions of the allegations, violated A.R.S. §44-1841 and A.R.S. §44-1842 as outlined below. Hopefully, after you have reviewed the materials attached with this letter and the contents of this letter and the law cited herein, you will come to the conclusion that this is a proper private offering and that there have been no violations of the rules.

The Temporary Order To Cease and Desist and Notice of Opportunity For Hearing alleges violations of A.R.S. §44-1841 and A.R.S. §44-1844 (sales of unregistered securities), and A.R.S. §44-1842 (sales of securities by an unregistered dealer or salesman). However, this attempted transaction by my clients is exempt pursuant to A.R.S. §44-1844 that creates exempt transactions as follows:

"A. Except as provided in subsections B and C of this section, §§ 44-1841 and 44-1842, § 44-1843.02, and subsections B and C and §§ 44-3321 and §§ 44-3325 to not apply to any of the following classes of transactions:

1. Transactions by an issuer not involving any public offering."

The offering, is clearly within the parameters of the Arizona rules and Regulation D of the Federal Securities statutes for a private offering. In compliance with those rules, the target investors were only accredited investors and the offering was limited solely to accredited investors as outlined in the terms and conditions of the offering and materials. A copy of those materials is attached hereto for your convenience, although they are referenced in your petition. The offering was made solely by employees, officers and directors of the company and is, therefore, exempt from A.R.S. §44-1842 pursuant to Rule R-14-4-139B and Rule14-4-140B. At this point in time, as outlined in the attached affidavits, there have been no sales or subscriptions of these securities to date. My clients fully intended to comply with the requirements under the Federal Securities Reg D to provide a notice to the Arizona Corporation Commission and the SEC pursuant to rule 503 of the Regulation D within fifteen calendar days after the first sale of the securities in a private offering. To date, no such sales have taken place and the form has not been filed, but will be on a timely basis moving forward.

As outlined in the offering materials, the securities will only be sold to qualified purchasers (accredited investors) or persons that the issuer reasonably believes, after inquiry, to be qualified purchasers based upon the certifications in the subscription agreement. Steps have been and will be taken to make sure that only qualified purchasers are included in the pool.

The rules provide that a general announcement may be made pursuant to R14-4-139H. The website referred to in your complaint contains a form of this general announcement and has only information that would be allowed in the general announcement pursuant to such rule. A copy of that web page is attached hereto. It contains all of the requirements of subsection H and limited inquiries solely to qualified accredited investors. To date, there has only been one inquiry on the web site, which is outlined in the attached affidavit, and apparently was made by the representative from the Arizona Securities Division of the Corporation Commission, and the materials were only delivered after that party represented in writing that he was an accredited investor. The materials themselves provide that no sale of the securities will be made other than to an accredited investor, and the investor must provide adequate information to form the basis of the decision for the issuers to have a reasonable belief that any investor is a qualified purchaser.

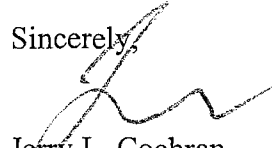
There has been no general telephone solicitation, no general advertising in any newspapers, and no blind telephone calls.

The issuers did make offering mailings to certain parties of whom they had done due diligence and investigation to determine that they were registered investment

advisors who operate on a fee-only basis and whose clientele would reasonably be expected to meet the criteria of accredited investors, and that solicitation was only done after investigation and determination that the investment advisors were qualified as registered investment advisors. In response to the Subpoena, a list of all mailings to qualified investment advisors is attached hereto.

Therefore, we believe that a thorough analysis of this matter will clearly show that this was intended to be and, in fact, has been carried out as an exempt private offering under the statutes, the rules of the Arizona Corporation Commission, and Regulation D of the Securities and Exchange Commission. Hopefully you can review these materials and we can get this matter resolved without moving to a formal hearing. Please contact me immediately if we can provide you with any additional information. My clients are long-time businessmen in this state and have worked diligently to make sure they are in compliance with the rules of the Commission and would like to provide you with whatever information is necessary to establish that they are in full compliance with the private offering requirements for this limited offering.

Sincerely,



Jerry L. Cochran
For the Firm

JLC:sas

Enc.

cc: Matthew J. Neubert, Director, Securities Division,
Arizona Corporation Commission

C. J. Hanselman, Special Investigator, Securities Division,
Arizona Corporation Commission

A. Brent Payne

Michael R. Olson

ACC000306
FILE #8219

Exhibit “H”

Micheal Dailey

From: Paul Roshka [roshka@rdp-law.com]
Sent: Wednesday, March 02, 2011 2:29 PM
To: Micheal Dailey; Jennifer Baker
Cc: Joyce Goodwin; Clyde J. Hanselman
Subject: RE: In re Arthur Brent Payne, et al., Docket No. S-20772A-10-0489

Michael, I'm preparing for a deposition. I'll ask Jennifer to review this, but your refusal to make Mr. Hanselman available for a deposition causes me to wonder why you think I would respond to this letter. Any thoughts?

Paul

Paul J. Roshka, Esq.
ROSHKA DeWULF & PATTEN, PLC
One Arizona Center
400 E. Van Buren Street, Suite 800
Phoenix, AZ 85004
Phone: 602-256-6100
Fax: 602-256-6800
Email: roshka@rdp-law.com

For more information about Roshka DeWulf & Patten, please see our website at www.rdp-law.com.

This message and any of the attached documents contain information from the law firm of Roshka DeWulf & Patten, PLC and may be confidential and/or privileged. If you are not the intended recipient, you may not read, copy, distribute or use this information and no privilege has been waived by your inadvertent receipt. If you have received this transmission in error, please notify the sender by reply e-mail and then delete this message. Thank you.

From: Micheal Dailey [mailto:MDailey@azcc.gov]
Sent: Wednesday, March 02, 2011 2:27 PM
To: Paul Roshka; Jennifer Baker
Cc: Joyce Goodwin; Clyde J. Hanselman
Subject: In re Arthur Brent Payne, et al., Docket No. S-20772A-10-0489

Paul & Jennifer:

Attached please find my letter requesting additional information and documents.

<<Dailey to Roshka re Request for Supplemental Production of Docs 3-2-11.doc.pdf>>
The original was sent today via certified mail.

Please provide your response to Special Investigator CJ Hanselman.

Thank you, and please give me a call if you have questions.

Sincerely,

3/18/2011